

only a starting point for other similar schemes"). Just after World War I a number of new patriotic organizations to combat "the Red peril" emerged. The American Defense Society was one of these and asked the Company for \$50. MacMillan wrote back, "We have contributed very large sums of money the past few months to the American Committee of Minneapolis, who are carrying on the same character of work in this section of the country." Indeed, just prior to receiving this letter, the Company had contributed \$1,000 to the local group.

John Sr. was open-minded about philanthropy, raising his own contributions on occasion when asked. On the other hand, he disliked having charitable groups press employees for money. The Associated Charities of Minneapolis had asked the Company to allow solicitation among the employees as a whole. MacMillan wrote back:

I am absolutely opposed to the plan which the Committee presents. If anyone is appointed Captain to solicit for this purpose among our employees, there is no doubt that many of them will feel they are obligated to give because their employers have shown themselves favorable to this plan . . . others no doubt will give because they might feel that they would be looked upon askant by their fellow employees should they not contribute. . . . I have no objection whatever to anyone approaching our executive force, but when it comes to our bookkeepers and stenographers, who are receiving only living wages, I do not feel that they should be expected or be called upon to make any donations whatever.

Tension about radicals was strong in this period, and when John Sr. was asked by the Community Fund Campaign in 1922 about publicizing Cargill's subscription, he wrote back, "This same information can be used in a confidential way in appealing to any who are apparently not doing their part, but the information, if made public will be used by the radical element of the city in a way that will be unpleasant . . . it would do more harm than good . . . you have a difficult problem to solve, but I do not believe that any possible good could come out of this coercive method."

John Sr. also was generous with his time in cases where there was no direct business or personal relationship. For example, a graduate student at the University of Pennsylvania doing a thesis on the Grain Futures Act wrote MacMillan, asking if "this Act has in any way served to help your business or on the contrary if it has in any way injured it." John Sr. sent back an informative three-page letter, detailing a description of the hedging process, particularly as it was affected by the Act, taking a few potshots in the process at the Chicago Board of Trade and stating MacMillan's own hostility toward government regulation. Although he turned down the student's request for "specific instances," the letter nevertheless was supportive and friendly, certainly a letter to buoy up the young man. In the letter he noted that he had asked the Minneapolis Chamber of Commerce executive director to send additional information.²⁹

"We Are Not Engaged in the Export Trade"

There were two remaining volumes in the superb nine-volume Federal Trade Commission report on the grain trade. These were on the grain export trade and were published in May 1922. In 1915 the FTC had also been asked to explore issues related to the "methods and operations of grain exporters." Once again, Cargill Elevator Company was requested to be one of the respondents. The Company duly answered all of the questions, most of them with a sentence worded exactly the same in each case: "As we are not engaged in the export trade, we have no direct information in reference to the above question."

One readily can understand what John Sr. was thinking here—the Company did not have any agents abroad (although, as noted earlier, this already had been discussed), nor did it involve itself on a direct one-to-one relationship with foreign buyers as such. On the other hand, it had long been apparent that a substantial volume of Cargill-initiated grain headed directly overseas. All through the correspondence, for many years, detailed references had been made on Argentine, Australian, European and Canadian grain trade links. As a matter of fact, at this particular important moment of grain trade history (1922–1923) Cargill was making a first step toward direct international involvement. By the end of the 1920s, Cargill was selling on the East Coast, even beginning to think about jumping across the water to Europe.³⁰



Red Lake Falls, Minnesota

CHAPTER SEVEN

Expanding
Eastward, a Revolt

Rapid communication had always been a tremendous problem for companies like Cargill that depended upon the telephone, supplemented by the telegraph for interoffice contacts. At an earlier point, Lindahl had commented on the two methods: "The wire service between here and Buffalo is simply frightful; it takes anywhere from three to five hours to get a reply from Buffalo, under present existing conditions. . . . Irwin called me upon the 'phone the other day from Buffalo, and I could hear him very distinctly. This is the first time that I have ever been able to hear him distinctly from Buffalo; he tried to talk with me several times last Fall, but neither of us could hear each other." The rapidity and privacy of these wire systems were particularly fitted to the grain trade. Organizations possessing them at this early point (few did in the early 1920s) had a tremendous competitive advantage. In the time of the FTC investigation, John Sr. had roundly condemned the "abuses" of the private wire system—he did not have it in his company.

But a momentous communications change was about to happen to Cargill in the spring of 1923. It had not seemed a propitious time for the Cargill Elevator Company. John, Sr. had worried throughout the crop year 1922–1923, writing Fred Hanchette in October, "Matters in our own business are the worst I have ever seen at this time of year . . . so bad I really do not know which way to turn, as we are so peculiarly helpless. The enormous crop in Canada has simply flooded all the Eastern ports with grain, so it is impossible for Duluth to get boats unless they can guarantee prompt unloading in Buffalo and that we cannot do." Canadian grain marketers had their own postwar depression. Finally, they began to experiment with a new method of trading: almost-complete cooperative marketing via province-wide entities (the Alberta, Saskatchewan and Manitoba pools) and a central selling agency, the equivalent of a state trading agency.¹

The economic situation had not improved by spring. John Sr. wrote

Austen Cargill, still in British Columbia, in mid-April: "Ever since the close of navigation we have found it impossible to sell our wheat; we have two cargoes still unsold in Buffalo and we have all the Winter's accumulation in Duluth and do not seem to be able to get any bids at all. It is a most peculiar situation and I cannot figure it out." Cargill MacMillan, in England doing postgraduate work at Cambridge University, even wrote his father, "I was scared to death that I have been spending too much money." The dearth of sales quickly affected profitability, and the year's figures showed a profit of only \$34,000, down from \$442,000 the previous year.²

The 1945 Cargill history assessed the reasons for this malaise in Cargill's business with this interesting analysis:

A revolution was . . . taking place in the method of sales into the Eastern consuming market. Up to this time Northwesterners offered their grain through brokers in Buffalo and New York basis c.i.f. Eastern lake ports. They chartered the vessels, insured the grain, and drew on the buyers with documents (invoices, bills of lading, insurance certificates) attached. Not a single firm in this neighborhood made a practice of carrying grain in Buffalo or of offering direct to Eastern consuming clientele. Nor did the Eastern concerns carry any grain stored in the West prior to 1919.

In the postwar era, however, the largest Buffalo wheat broker formed his own company to lease space in Duluth and buy spring wheat on the tables in the Minneapolis and Duluth exchanges. This was a beachhead of invasion. Also, two of the important exporting firms in New York began buying spot grain in the Northwest, particularly barley, rye and durum wheat, and in turn selling to other exporters f.o.b. Montreal, New York and other Atlantic ports. Offers to the old established New York brokers such as Knight & Company, Parker & Graff, and others, drew replies such as 'No interest in offers c.i.f. Buffalo or Montreal. Buyers want f.o.b.' Messrs. Lindahl and Prime, the company's star traders, found their offers to Buffalo brokers brought unworkably low counter bids.

This was a disquieting development for the Company; John MacMillan, Jr., later recalled of their dilemma that:

one . . . fine day the large European importers—and they are still large European importers—Dreyfus, Continental, Mooney—decided that . . . they were paying tolls to a lot of brokers and people along the line that weren't necessary. Why shouldn't they move into North America, open offices in the interior and buy their grain direct . . . overnight you suddenly discovered that . . . you didn't know of any business. You never had a bid. The grain just went right on by. It didn't take any genius to figure out that either we set ourselves up to compete with that or they would just take us over piecemeal.

John Jr.'s key words here were "open[ing] offices in the interior." Prominent British and European firms had had offices in New York City from the late 1870s. At this point, however, the most competitive of these firms had sent men to the interior points, challenging Cargill and the others on their home grounds.³

Opportunity sometimes knocks at an inopportune moment. Just after John Sr.'s discouraged letter to Austen Cargill in April 1923, an unexpected proposal came to the Company, one that offered relief from this predicament. It was an opportunity to take over an important Milwaukee grain concern, Taylor & Bournique Co.

The Taylor & Bournique Acquisition

Cargill was well acquainted with this firm—it was a major competitor. Indeed, Cargill had taken two separate cases against T&B to arbitration in 1920. But by early 1923, with the combination of the depression and its own speculations, T&B was in difficulty. John Sr. described this to Austen Cargill: "Those deals of Armour's in Sept., and Dec., futures paralyzed the whole grain business, for he had to get rid of the deliveries by selling to the Eastern trade at whatever prices were necessary in order to move the grain."⁴ As a result of being on Philip Armour's bandwagon, T&B was forced to liquidate, and A. R. Taylor, the firm's vice president, approached MacMillan as a possible savior. Lyman Bournique, the president, wanted to retire anyway, although Taylor hoped to stay in the business.⁴

Taylor & Bournique had been active in the Chicago markets; the firm's own small terminal elevator was there, and they leased another. In November 1922, John Sr. had been offered an opportunity by the Erie Railroad to take over the railroad's elevator in Chicago but had demurred. "For us to enter the Chicago market," he wrote to the Erie president, "means developing a character of organization in which we have had no experience, and while I have no doubt we can develop such an organization, I am not particularly anxious to do so. . . . I am very loathe to enter the Chicago market."

Only if he could get a satisfactory arrangement in Buffalo, John Sr. continued, would he even consider Chicago. "As you know, we have even kept out of Buffalo during all these past years, but . . . we cannot function very well under conditions such as have confronted us this Fall. . . . With the rapid development of the Canadian Northwest . . . I am anxious to have our own facilities at Buffalo so that we can move grain freely through that port at all times and not be in a position where the Canadian grain can absorb all the facilities there at the expense of the Northwest." MacMillan had even warned A. L. Jacobs, the manager of Cargill's Milwaukee commission house, not to accept any speculative business "on the ground that we have no office in Chicago. . . . I prefer to handle only business of a legitimate character."⁵

So it was not the Chicago operations of Taylor & Bournique that attracted John Sr. The firm also had substantial branch offices, not only in long-sought Buffalo but also in New York and a further presence in Boston,

Philadelphia and Pittsburgh. It was an opportunity MacMillan could not resist. The price tag was small—in effect, Cargill would take over the T&B organizations at Milwaukee, Buffalo and New York, purchasing in the process the office furniture and equipment and assuming the leases for the offices. The T&B terminal in Chicago would be sold off to others, as John Sr. still did not want to take on a Chicago initiative. A large T&B terminal in Milwaukee, a 1,650,000-bushel unit leased from the Chicago, Milwaukee & St. Paul Railroad would have its lease transferred to Cargill, as would the lease on a small terminal at Ogdensburg, New York. In turn, both Lyman Bournique and A. R. Taylor would indemnify Cargill from any of their other debts.

So only the name had changed; even A. R. Taylor was to stay as head of the Milwaukee office. Thus, for the cost of some office furniture and assumption of leases, John Sr. had consummated a major organizational addition. The arrangements were concluded amazingly fast, and by early June, T&B was a full-fledged part of the Cargill Elevator Company.⁶

One special feature of the T&B organization that came with the deal was absolutely unique for Cargill—T&B had a private wire system. The Clement-Curtis system had linked the Milwaukee home office of T&B with both Buffalo and New York. At an earlier point, T&B had a private wire to Iowa but had given it up. John Sr. immediately had the system extended to Minneapolis, "so Ed Grimes expects to be in instantaneous communication with Al Taylor at all times and also with the Buffalo and New York offices."⁷

John MacMillan, Sr., enthusiastically wrote: "The wire service is a wonderful thing; it keeps us posted in a way that we never have been posted in the past."⁸ Foundations for the great Cargill communications system of recent years were put in place at this point, and the T&B wire address designations for New York ("AX"), for Chicago ("GX") and others stayed in the system into the 1980s.

John Sr. wrote Austen Cargill about T&B, and Austen endorsed the plan "since it doesn't require any investment in property." Austen continued: "While the policies under which it has been run in the past are not our policies it should under normal conditions and with careful management prove a profitable venture without requiring excessive risks. . . . Al Taylor has been one of my best friends ever since I went to Milwaukee so I am naturally pleased to have him join our organization." But he concluded with the comment: "He is more or less inclined to wear his responsibilities lightly."⁹

John Sr. also wrote Fred Hanchette, and here he was not quite so sanguine: "There will be no business there for the next two months but I thought it well to get the organization in hand and get them trained in accordance with our ideas before the new crop movement even if we could

have delayed the deal until August 1st . . . everything is going to depend on the outcome of the crop as to whether or not it will prove to be a good thing . . . there will not be very much profit there for some years but when conditions are right it ought to be a good money-maker . . . in the end it should average out."¹⁰

Ed Grimes was dispatched to Milwaukee in May 1923 to survey the office force there. Grimes reported back: "I am very sure that the two office forces are going to work together with very little friction, at least in the beginning." Grimes and John Sr. decided that the secretary of T&B, John W. Rank, would not be retained. MacMillan explained this to Lyman Bournique: "We desire to put the office in charge of one of *our own force* who has been *trained under our ideas*" [my emphasis; these were strongly held beliefs in the Cargill organization]. Bournique asked if Rank could stay just until the end of the month, but MacMillan replied, "It seems to me . . . that it would be very much less embarrassing all around for us not to take Mr. Rank on at all, as I cannot see how he could do other than complicate matters." Bournique then acquiesced.¹¹

For the Cargill organization, the Taylor & Bournique acquisition was truly momentous. In one single, decisive act, the Taylor & Bournique acquisition had metamorphosed the heretofore-regional Cargill into a national organization. Within days, John Sr. had sent Ed Grimes and John Jr. eastward; they visited prospective customers in Buffalo, New York, Philadelphia, Baltimore and Washington in preparation for the upcoming crop season. It would not be an exaggeration to say that one can trace the modern Cargill's world focus directly to this single management decision.

John Jr. had returned for a time from British Columbia and was beginning to have a major influence on the Company as a whole and especially on his father, who seemed almost dazzled by his son's intellect and fresh ideas. John Sr. had had several earlier periods of adversity that had made him cautious—risk-averse in a risk-filled business. He took vicarious pleasure in the verve and unrestrained enthusiasms exhibited by his son. At this early stage of his Cargill career, John Jr. was already espousing his concept of "the endless belt": that Cargill should have control of the movement of grain from the time it left the farmer until it reached the final buyer. In other words, he recommended that Cargill should maintain mastery over transportation and insurance as well as the physical handling and storage of grain. Only later, at the beginning of World War II, did Cargill extend this concept in any significant way to processing, although it owned a few small feed and seed operations prior to this. The Taylor & Bournique acquisition was an important first step toward the endless belt.

Further, in John Jr.'s mind, the endless belt could best be effected by maintaining centralized control over every activity. Earlier, John Sr. had evolved a particular combination of centralization and decentralization of

authority. John Sr. wanted all of the facts and insisted on his own input, but he seemed willing to vest authority down in the organization to individuals who demonstrated capability in assuming this responsibility. John Jr. had a more "take charge" mentality, more of a centralizing mode. This tendency became more pronounced in the mid-1920s, although there were frequent hints of it in this earlier part of the decade.

John Sr. was the prime negotiator for the purchase of T&B. Yet in some respects the deal did not mesh well with some of his own instincts—his focus had always been on the Northwest. Acquiring T&B would signal a new direction. However, the new arrangements bypassed Chicago, and this fit John Sr.'s predilections. John Jr., now his trusted aide, a young man full of new ideas, must have had a major input in the T&B acquisition.

Not everyone was happy with the acquisition. One can readily guess who was resistant—in particular, Dudley Irwin in Buffalo. Within days, MacMillan had two letters and a wire from Irwin, inquiring about future relationships with Cargill. Taylor & Bournique had its own office in Buffalo, which was one of the attractions of the acquisition. In charge was Harold Tweeden, a brother-in-law of A. R. Taylor. Irwin wanted an immediate personal conference with John Sr., Lindahl and Prime. MacMillan wrote back that "unavoidably there is considerable confusion in taking over any large business such as that of Taylor-Bournique's . . . it would be quite out of the question to discuss any problem of this kind until some time after the transfer is arranged and business is working along in a normal way." John Sr., worried about preserving harmony in the organization, explained, "It would not be good business for me to arbitrarily make an arrangement and tell them they had to make the best of it."¹²

John Sr. had heard from Franklyn Crosby of the Washburn Crosby Company, a well-known Minneapolis miller (later General Mills), about allegations of sharp practices in the Milwaukee elevator scene at earlier periods. So MacMillan took this occasion to make a frank statement to the T&B people about Company policy. He wrote A. R. Taylor and, without impugning any motives of the latter, detailed to him exactly what Cargill Elevator's ethics were: "It seems to me that in connection with a statement of this kind [the Crosby comment] it might be well that I tell you the policy on which our business has always been conducted, viz: that we do not permit any sharp practices of any character and that our word is just as good as our bond. We want to be absolutely fair always and while I do not mean by that that we expect to be imposed upon, yet, it always pays to be absolutely just under all circumstances."¹³

Over the following months, John Sr. sent a steady flow of memoranda to A. R. Taylor, outlining in precise detail exactly how he wanted the business run. It must have been a new experience for Taylor who, after all, had been running his own firm for a number of years. But John Sr. was a

strict taskmaster and commented to Fred Hanchette later in the year, "We are having rather a hard time to get Taylor broken in properly. He has not been trained in our ways of doing and does not seem to know how to figure. . . . He has a mania for doing a volume of business but hasn't the faculty of being able to follow the trades so as to know just how he is coming out on them. . . . He has a lot of very valuable qualities but he has been badly trained and of course, does not realize it."

Taylor still bulled ahead, and MacMillan wrote Austen Cargill in November 1923: "Taylor managed to make some very bad deals in corn. There have been frightful premiums prevailing with very rapid shifts and changes and in the mix-up Taylor got caught pretty badly and it was almost impossible to tell it from here because the premiums were entirely a matter of shipping dates. His figures show a loss of about \$18,000.00." John Sr.'s solution, mirroring his passion for facts, was predictable: "We have put in a new system which I think will give us detailed data from now on that will make it possible to watch his operations much closer."

By May 1924, Taylor's losses in the Milwaukee operation finally led John Sr. to action, and he wrote Taylor, "I regret exceedingly to have to ask your resignation, but I do not see how we can do otherwise. . . . In justice to the organization, we will have to allow someone else to try the management."¹⁴

In early June 1924, Cargill's Milwaukee terminal, the one leased from the Chicago, Milwaukee & St. Paul Railroad, burned to the ground. A repair crew had been changing the wiring after a recommendation from the insurance company, a short had occurred, and then the insurance company had to cover the whole loss. The Company's grain was protected completely, with the loss estimated at approximately \$225,000. The railroad was in financial difficulty and procrastinated about rebuilding. The president, H. E. Byram, wrote John Sr. a few days after the Milwaukee fire, "We have been so thoroughly 'floored' by the loss of this elevator that we have not been able to reach any conclusion in regard to rebuilding it."¹⁵ By late 1925, MacMillan, getting by with temporary storage, was becoming increasingly impatient with the delay, although not willing himself to lay out Cargill money for a Milwaukee terminal (as he put it to the chief traffic officer of the railroad, "the fact that the Milwaukee market of recent years has been so inactive, and that it may be difficult to bring it back, makes us a little more cautious than we would be under other circumstances"). Finally, in early 1927, Cargill was able to negotiate the lease of another of the railroad's terminals in Milwaukee, formerly operated by the Armour Grain Company, which was in liquidation. This was a larger terminal than the previous one, with a capacity of 2.8 million bushels, and what became known as Elevator E now took a major position in Cargill's Midwestern sphere.¹⁶

A First in Publications—the Cargill Chaff

The early 1920s was one of ferment in many aspects of transportation. Not only was Milwaukee competing with Chicago for business, but Minneapolis was competing with Duluth and vice versa. The railroad rate structure in this period went through considerable disquiet with a substantial rail labor strike in 1922, pressures for downward revision of wage rates on the railroads and significant reductions in some of the overall freight rates themselves. The 1922 battle between Duluth and Minneapolis over the rail rate between the two cities (mentioned in the previous chapter) and the further competitive battles on lake shipment rates eastward to Buffalo became very acrimonious. Both cases were prime examples of the perennial "proportional rate" arguments that had filled the Interstate Commerce Commission dockets and shippers' files since far back into the 19th century. So this was a period of high tension about shipping.¹⁷

Given this muddle, with shippers confused about just what were the most effective traffic decisions, it seemed to make sense for organizations like Cargill to develop a formal traffic department to provide in-house expertise. Otto Mortenson emerged as the key person here.

Just after World War I, Cargill made a decision to publish its first company bulletin for the public—the *Cargill Chaff*. It was designed particularly for the shippers of grain. The style of the small pocket-sized publication was jaunty, with drawings, jokes, etc. Mortenson wrote frequently for the *Chaff*, with simple but specific advice to Cargill shippers. The *Chaff* was low-key. One could not accuse Cargill of excessive advertising hyperbole in its slogan during this period: "Ship to Cargill—you can't do better, you might do worse." When competitors starting reversing it—"you can't do worse, you might do better"—the slogan was changed to "Cargill Service," and the Company began to manifest its concern about customer relations. Over and over in the *Chaff* the editor emphasized that Cargill was "your service station," an analogy to the then-emerging auto service stations.

Mortenson—the editor called him the "go-getter"—filled the *Chaff* with timely suggestions, often listing the numbers of freight claims that he had been able to settle for his customers. For example, in the July 1921 issue, Mortenson boasted that he had settled 67 claims for the New London Milling Company of Willmar, Minnesota; 46 for Rippe Grain & Milling Company in Fairmont, Minnesota; and sundry smaller numbers of claims for a dozen other elevator companies.

The masthead of the *Chaff* featured the officers of the company first but included in each issue a short, breezy paragraph on other Cargill employees. In February 1920, it was Hub Owen, "who could borrow ten dollars from any bushel of wheat in the country—he knows them all so well. Do

Cargill Chaff



May
1921 VOL. 2
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CARGILL COMMISSION COMPANY

We Have Handled Grain
For
**Hall
a
Century**
"Ship to Cargill—
You can't do better;
You might do worse"
**Cargill
Commission
Company**
Detroit Minneapolis St. Louis

"You can't do better; you
might do worse," early Cargill
advertising copy, c. 1915.

you want to know what grade your wheat will be given? Send in your samples to Hub; the proper grading will come back toot sweet." A few months later it was Johnnie Tresise, "Coop's right-hand floor man in the barley game. Johnnie made some slight reputation a few years ago as a singer and entertainer in sundry vaudeville acts put on by the Elks. Maybe this early training in eloquence was a help. Maybe it wasn't. Anyhow, Johnnie Tresise is rated as one of the best barley salesmen on the floor. For satisfying prices on your barley, let Johnnie sell it for you." A. L. Jacobs, the Milwaukee commission house head, "finds the grain business such an absorbing game that he can't even get interested in a toy like an automobile. So Mrs. Jacobs drives the Dodge while Andy steers the grain business." J. B. Cooper, the veteran barley trader in the Minneapolis office, "wishes it announced that his information does not extend to barley malt, and he has positively no home brew recipes for sale or rent." (The *Chaff* carried a number of jokes about national prohibition, and also about the "flappers" of that period). In a few months, after the *Chaff* had run out of key Cargill people to feature, repeats were resorted to: "J. C. Tresise, barley specialist, the burr in his voice is genuine Scotch, 100 proof. J. C. has Scotch thoroughness likewise—if you want to know anything about barley, you can bank on what Tresise tells you."¹⁸

The Grain Laboratory

The *Chaff* of August 1922 introduced a new Cargill man and a new Cargill function, each to become of major importance to Cargill over many years into the future. The man was, to use the *Chaff*'s nomenclature,

"Julius Hendel, Scientist." The article that followed introduced the new Cargill Laboratory. The editor began, "An 'all wool' suit (so-called) may contain almost 50 percent cotton or 'shoddy' without the fact being apparent to the naked eye. You may pay for genuine gold and get something that merely looks like gold. Chemistry has come to the rescue of the clothier and the jeweler—assuring each of getting exactly that he pays for. Now the same science becomes prominently identified with the grain business."

The article then explained how chemistry could judge wheat far more accurately than the practiced eye, all to be accomplished by the new laboratory. Wheat would be cleaned and milled and, after being thoroughly dried, made into dough. The dough would then be washed out in water of certain temperature until all of the starch was removed, leaving only the gluten. The gluten itself was first dried, then weighed, giving the percentage of gluten in the flour. All of this would be done in the laboratory, "in charge of a very pleasant and mighty keen young man named Julius Hendel. He wears about half the alphabet after his name, officially, but he is too busy, so he says, to tell you about it. He has full rein in his department—unhampered by anything save a single-track idea to Get the FACTS." The article concluded with a promise that any shipper could have a sample of his wheat tested in the laboratory "for a very nominal fee—one dollar." John Jr. had succeeded in changing his father's aversion to chemical analysis, where Dudley Irwin earlier had not.

Later the laboratory took on other functions, but this first charge, to measure gluten content, was its most important assignment throughout. Now wheat could be sold much more explicitly and believably for its high-gluten content, backed up by "FACTS." Hendel developed a nomenclature, "Cargill 1," "2" and "3" for grades based on this gluten content, and the company gained a step on its competitors in being able to mix to grade more effectively and to use this as a selling tool.

Over the next several issues, the *Chaff* discussed the laboratory, both its technical attributes and its commercial implications. The laboratory was reputed to be the second in-house laboratory in the industry; the testing of gluten theretofore had almost always been done by commercial laboratories. The *Chaff* commented: "Without in the least disparaging the work of these conscientious and no doubt careful organizations, the Cargill Commission Company prefers to be doubly certain of accurate results by maintaining its own laboratory." There seems little doubt that with this step Cargill established for itself a preeminent position in the industry in regard to quality.

This appeared to be confirmed a few months later when Hendel was able to place an article he had written as a lead story in the *Northwestern Miller* issue of December 26, 1923. The article was long, spread over three full pages of the publication, and had three pictures (two of Cargill's lab)

and a "gluten map of North Dakota." Hendel covered the chemistry of gluten, the process of testing and the impact of moisture in the wheat on these efforts. It was a literate and reasoned piece, putting Cargill's laboratory on the map.

Not everyone, incidentally, was enthusiastic about testing wheat. In another major article in the *Northwestern Miller*, a year before Julius Hendel's, fun was poked at what the author called "the newest trade fad." He continued:

Today a load of wheat is more like a prescription for something the matter with your liver. Instead of just weighing fifty-nine pounds and being graded with a number from one up to four, and being smelled and chewed to see if it is musty or not, a record on what's in it is now as complicated as how to make gin. . . . Getting a sample of wheat tested is for all the world like setting out for the North Pole, or trading for a Ford or ordering hash or voting the Democratic ticket. You know it is certain to come out someday, but you can't for the life of you guess just which way."

"Julius Hendel, Scientist"

Julius Hendel was not only a gifted scientist but was soon to become a grain trader par excellence and Cargill's preeminent grain-trading teacher. Hendel was a "rare bird," according to a *Cargill News* biography many years later, on the occasion of Hendel's 70th birthday. The editor continued, "His rarity aroused in some a kind of instant antagonism, and in some others a mixture of anxiety and awe." At the same time, he was "gracious and sympathetic, active and filled with ideas, and . . . optimistic."

Julius Hendeliowitz was born in 1895 and thus was the same age as John MacMillan, Jr. The backgrounds of these two, however, could not have been more different. Hendeliowitz was born in Czarist White Russia, in the great wheat-growing region bordering both Poland and the Russian Ukraine. He was of Jewish ancestry. Four generations of his family had been grain merchants in a village near Slutsk. In 1905, as the Russian Revolution began to engulf this area, the family decided it was too risky for Julius to remain at home and sent the ten-year-old boy to an older brother, a grain merchant, in Koenigsberg, Germany. Julius did his lower-school education there and later in Copenhagen, Denmark, then migrated to New York in early 1914, "speaking English very little and that very badly."

Hendeliowitz found that his name was hard for Americans to pronounce or remember, so he shortened it, to use his words, "by cutting it precisely in two." He had been sponsored in his immigration by his cousin, Maurice Hindus, a young man about the same age as Julius, also with very little money. From the start, Hendel was on his own. Two families in New

York became further sponsors for Hendel and made it possible for him first to finish high school and then to enter Cornell University. He was able to get only part of his college work in hand before the war intruded. Though he was not yet a United States citizen, he joined the United States Army and served as a noncommissioned officer in five major campaigns in Europe.

After the war he returned to the United States. "My plan . . . was to finish my studies near the Midwestern farmlands, then to take a homestead somewhere in North Dakota and raise wheat," said Hendel. Needing advice, he went to a biochemistry professor at the University of Minnesota College of Agriculture. The latter urged him to finish his degree at Cornell, which Hendel accomplished in 1921. He returned to Minnesota to enroll for advanced work at the College of Agriculture, attempting to finance his education by working on a nearby farm. Wanting to get closer to the grain trade, Hendel applied to an elevator operator for work and, when told that there was none, said, "I'll work for you for nothing for two weeks." At the end of two months, the grain elevator operator was so pleased that he did not want Hendel to leave.

The commuting from farming country to the classroom in St. Paul was too exhausting, however, and in 1922 he applied to Cargill for a job (and to continue his schooling at night). After meeting John MacMillan, Sr., he was also introduced to John Jr., and the two young men hit it off well. The result was that Hendel was hired to institute the new laboratory. Meanwhile, Hendel continued his academic work at the University of Minnesota and in 1927 was awarded a Ph.D. degree in agricultural economics and biochemistry, thus becoming one of the first persons in the grain trade with an advanced academic degree.¹⁹

It had been the grain trade itself that so intrigued Hendel. His doctoral studies centered directly on the trading function, and he developed a thorough understanding of the process. Yet this was still theory, and he itched to test this theory in the actual trading pit. An opportunity soon presented itself, under the aegis of John MacMillan, Jr.

John Jr.'s "Account 38"

John MacMillan, Jr., had spent just over a year, 1920-1921, in British Columbia with the logging operation. His younger brother, Cargill, had joined him there for the summer of 1921, and both returned to Minneapolis in August (Austen Cargill remained in British Columbia). John Sr. wrote Fred Hanchette, "Jr. is doing pretty well here, but he's not up to par as yet, and I doubt if he will be for a year or two to come." He ended the letter: "He will no doubt go to Duluth before very long." The Duluth assignment did not materialize; however, Cargill MacMillan joined the

company "keeping the books out in the office," and John Sr. wrote Hanchette, "It seems fine to have the entire family together again."

In 1923, John MacMillan, Sr., made a portentous decision about his eldest son. Ed Grimes had been supervising the overall trading policy for the Company for all grains out of the Minneapolis office. John Sr. now split the responsibilities, leaving the coarse grains with Grimes (oats, flax, corn, barley) and giving wheat and rye (which were assigned a new title, "Account 38") to John Jr. This division was critically important for the Company and a great challenge to John Jr., involving as it did the strategic trading policy for two of the most important grains.²⁰

Within a few months, John Jr. had co-opted Julius Hendel. While Hendel still continued his overall supervision of the grain laboratory, the day-by-day activities of sampling gluten content were turned over to William Glasgow and his assistant, a young office boy, Tom Torushek. John Jr. again was showing evidence of his inquisitive, wide-ranging mind. He put Hendel to work on an extensive set of weather data that he (John Jr.) had been collecting, trying to find correlation with the ups and downs of crop yields (John Sr. was skeptical and wrote John Jr., "I have no confidence in this theory . . . unless there is some correlation in the weather conditions for June and July as compared to April"). An accurate weather forecast would be a tremendous tool for trading futures. Hendel continued to work on such spot assignments for John Jr. through the remainder of that year, the most important relating to scientific grading of spring wheat. In March 1924, John Jr. published (in *Cereal Chemistry*) an extensive analytical article on this.²¹

In early 1924, John Jr. again evidenced patterns of his previous illness, and, compelled to step away from the pressures of grain trading, he returned to the British Columbia logging site. It had been an unprofitable and difficult operation there, and Austen Cargill had been laying men off. Now Austen and John Jr. assessed together the prospects of the limping endeavor. They were just about ready to call John Sr. and Fred Hanchette to come up to discuss alternatives when John Jr. severely injured his hand with an axe and had to return to Minneapolis. John Sr. had planned a European vacation at about this time but postponed his plans because of John Jr.'s injury. The hand took a number of weeks to heal but by early summer John Jr. was ready to return to British Columbia, taking with him his younger brother, Cargill.²²

John Sr., meanwhile, had continued to act as his son's surrogate for the overall direction of Account 38. It had been a complicated time. In June 1924, the Milwaukee terminal fire occurred. At the end of that same month, Lindahl in Duluth asked for another person to work on the Duluth trading floor. Cargill MacMillan had been learning the trading business in Minneapolis, but his father did not feel he was ready for the Duluth as-

signment and suggested to John Jr. that Harley Flood be sent there and that Julius Hendel replace Flood on the floor of the Minneapolis Grain Exchange (at that time called the Chamber of Commerce). This idea pleased John Jr. Flood left for Duluth, and a membership was obtained for Hendel (one of 11 at that time), who immediately began trading.

Within just a few days, John MacMillan, Sr., wrote a worried letter to John Jr. as follows:

We have had a peculiar situation develop regarding Hendel, which has bothered me a good deal, and I do not know just how to handle it. A good many of the best buyers on the floor have told Hub and others in the organization that they resented our putting Hendel down there and they absolutely would not trade with him unless they were forced to. Hendel unfortunately has not a very good personality, but I am inclined to think that the prejudice is also to a certain extent due to the fact that he is a Jew, but in any event, the character of the protests is such that we cannot ignore them.

I have had some talk with Hub about it yesterday and as a result, I told him to hold up the membership transfer until I had had time to think it over. I feel very sorry about this, because Hendel has ability but it would seem to me that we can use this ability to better advantage by keeping him away from the place where he is not welcome.²³

John Jr.'s letter in reply is no longer extant, but his father's in return gave the essence of the final decision, namely, that Flood would be left in Duluth and that a new man, Wilson by name, would be assigned a trading role under the eye of Hub Owen. As if to reinforce the gravity of the challenge, John Sr. added, "I think there is no question about the seriousness of the feeling on change, and I get the same thing from Johnnie [Tresise], Ed Grimes and from Hub [Owen]." In other words, the feeling against Hendel's trading was corroborated (and perhaps shared) by the three senior Cargill executives.

This story, with its pointed implications about anti-Semitic prejudice, has been retold in Cargill lore over the years and was frankly discussed in the *Cargill News* in a long biographical article on Julius Hendel written after his retirement in 1955. However, with such events, stories can become garbled over time, significant pieces turning into Company legends. There is just such a problem here in the article about Hendel in the *Cargill News*. The author stated:

One story has it that, as early as 1924, a strong show of resistance was made by half a dozen company executives. John MacMillan, Sr., had proposed that membership in the Minneapolis Grain Exchange be bought for Dr. Hendel. His opponents presented themselves as a group before Cargill's president and announced that, if the plan were not dropped, they would resign en masse.

Mr. MacMillan, it is said, neither argued the professional need for a full-time grain merchant to hold such a membership nor explained the particular talents and qualifications of Julius Hendel. Instead, he took six sheets of stationery from his

desk, slid them toward his visitors and sat back in the chair. All were given time and complete silence in which to write their resignations on the spot. They looked at each other, at the sheets of blank paper, at the determined face of John MacMillan, Sr., then turned all together and went back to their offices.²⁴

The author had part of the encounter correct. It seems from John Sr.'s letter that at least four of Cargill's own executives had corroborated the prejudice against Hendel and may have shared the view themselves. The remainder of the story—the confrontation involving the ultimatum and the icy response—does not seem as likely to have happened on this occasion, although, as no person living today was there, we cannot be certain. We might dismiss this fascinating vignette of the slips of paper were it not for a set of events (discussed in a later section of this chapter) that rings truer. The most credible hypothesis about this story is that Hendel's assignment to the floor was rescinded in part because of Cargill executives' protestations. His Chamber of Commerce membership, however, was not in the end "held up"—Hendel was a member from 1924 until well after World War II.

In the days prior to World War II, there was evidence of anti-Semitism all through the Midwest, indeed, in all of the United States. Without gain-saying the tolerance of today's Minneapolis, it is fair to say that such bias was substantial there in the earlier days (but less so in St. Paul, reported John Higham in his book *Send These to Me: Jews and Other Immigrants in Urban America*). In a widely reported article in October 1946 in the magazine *Common Ground*, the well-known writer Cary McWilliams wrote: "One might even say, with a measure of justification, that Minneapolis is the capital of anti-Semitism in the United States. In almost every walk of life, an 'iron curtain' separates Jews from non-Jews in Minneapolis. It seems to have always existed." This article brought a flood of reaction, and the citizens of Minneapolis, under the leadership of Mayor Hubert Humphrey (who established the Mayor's Committee on Human Relations), moved rapidly to break down many of the barriers.

A full analysis of this broader Minneapolis pattern is beyond the scope of this study. It is important, however, to put in careful context exactly what John MacMillan, Sr., was saying in the two letters quoted above. First, he recognized frankly that the attack on Hendel was in part based on bias. Second, he explicitly deplored this. Finally, his instincts as a businessman needing to live in the real world seemed to dictate to him that those who objected were too powerful to oppose. Hendel was taken off the floor.

In subsequent years, however, there was little or no overt or covert bias against Hendel within Cargill itself. His own innate ability, enthusiasm and judgment soon carried him into the higher levels of Cargill management. Indeed, John Jr. had been instrumental in hiring him and thus

seemed able to move beyond his own blanket statement, made at the end of World War I, about "the Jews in the headquarters companies." And as with other things John Jr. wanted, John Sr. waived his own caution.²⁵

Clashing Management

The timber operations in British Columbia had been unprofitable after the collapse at the end of World War I, despite the enormous efforts put into the project by Austen Cargill. He and his wife had pushed themselves to the limit to make it a success, with help, off and on, from John Mac-Millan, Jr. The earlier relationship between Austen and John Jr. had seemed amicable enough, but by 1924 there was evidence of a cooling on the part of both. John Jr. seemed to fancy himself as an engineer and had been putting forth a considerable volume of suggestions to Austen, for example, arguing with Austen about how to lay track for a railroad on the property (Austen was right). These seemed always to find their way directly to John Sr., too, and Austen may have felt he was being "spied upon." Overwhelmed with a deteriorating business situation and frustrated in dealing with the rugged terrain and the cold, damp climate, Austen was not ready to take such advice in such quantities. In turn, this caution irritated John Jr., and he wrote his father in April 1924 that Austen seemed



Cargill's British Columbia lumber camp, c. early 1920s.



Austen and Anne Cargill with daughter Margaret, c. 1922.

unwilling to adopt his (John Jr.'s) "standard" ideas: "He could only ridicule it, as he does everything that is put up, but this time the ground for ridicule was that it would be five years before he would venture an operation of that kind, and that he was very fearful of bungling it." John Jr. concluded: "Frank Neilson [the superintendent under Austen] sums things up very well. He says that you can't drive Austen to make a decision relating to things more than a few days distant, and when he does decide, everything must be done right off the bat, a very expensive and nerve racking process."

Austen's resentment with what he saw as gratuitous meddling spilled over a few weeks later, when John Jr. submitted his personal travel bill to the logging operation for payment for a trip back East. John Jr. had said the trip was for "lumber sales," and Austen exploded to James Taylor (who handled the finances of Cargill Securities Company), "I consider it entirely unnecessary at the present time, and so long as I am responsible for the operation of this business, I shall refuse to sanction this charge. . . . In taking this attitude, I realize it is petty but . . . I have just about reached the limit of my ability to continue under existing conditions, so that such petty things aggravate me beyond reason."

John Jr. returned to Minneapolis in early May 1924, after incurring the

severe axe cut on his hand. The profitability of the timber operation continued to sag, and Frank Hixon began exhorting John Sr. to cut the losses and get out of the operation. John Sr. demurred and wrote Hixon why:

Austen has taken an intense interest in the problem. . . . His tastes are entirely along mechanical lines. I do not think that he ever will fit well into the grain business or ever be happy in it. The business was well organized . . . but when the slump in log prices came, Austen fully realized that the methods which he was using could not possibly succeed, so he got further back from the water's edge. I am very anxious to see him make a success. . . . Austen has an excellent knowledge of accounting. He does not fool himself in the slightest as to his operating costs, so that all told I feel it would be a grave mistake not to give him this . . . chance.

(When John Sr. spoke of "fitting into the grain business," he was speaking narrowly of the trading function itself, for Austen's other grain business skills—country elevators, seeds—were significant. Once again, a reinforcement of the belief system that assigned a transcendent role to trading.)

John Sr. had further unease about the project in the spring of 1924 and made a personal trip to British Columbia; he came back reasonably satisfied with the planning (though very uncertain of the potential in the log market itself). Later in the fall, James Taylor and Roy Hoople were there, but no further actions were taken in regard to the logging operation.²⁶

"Feeling Safe"

After the severe drop in earnings in the crop year 1922–1923, the next crop year looked considerably more promising. Earnings were up to \$325,000, and after the two years of accrued preferred dividends were paid, the net addition to the surplus was over \$163,000. An analysis done for John MacMillan, Sr., on the "property values" of the Company showed that there were now 140 country elevators with a total capacity of 4.8 million bushels. The terminals in Minneapolis had 1.95 million bushels in capacity; Duluth, another 4.5 million. In sum, Cargill Elevator Company owned 11,270,000 bushels of its own capacity, with additional leased space at Green Bay, Ogdensburg and Buffalo and a promising crop year ahead. John Sr. wrote Austen Cargill: "This puts us in a position where I can feel safe. It was all together too much strain to attempt to work with no surplus."²⁷

In this period, John Sr. increasingly leaned on John Jr. for advice and counsel, as John Jr. was full of ideas, new plans, aggressive moves in the business. Buffalo particularly concerned both men, and although Cargill now had its own man there, Harold Tweeden, the Company still did not have its own facility. With Cargill's volume of shipments into Buffalo, it had considerable bargaining power and now began an intricate set of negotiations with two different Buffalo terminal owners, with the intent to

make firm contracts at favorable prices for additional storage. John Jr. wrote his father, "Since I have been away I have been getting a somewhat less biased view of that Buffalo situation—and I am not at all certain that it would be good business for us to commit ourselves heavily in Buffalo. . . . I am just as certain as can be that property there will have relatively little value once the St. Lawrence is opened to large lake vessels" (he called this the "Great Lakes-to-the-Sea project").

The question of charges for elevation from ships into the terminal was one of the sticking points and John Jr. continued, "It does irritate me most decidedly to pay a cent elevation there with the volume of business we are doing, nor do I think it is necessary." John Jr. made efforts to lease the Kellogg terminal, where he could elevate grain for 1/2 cent per bushel. Even so, he still expressed reluctance to go to a full-lease relationship. Finally, John Jr. overcame the Kellogg owners' objections, Cargill leased their 1-million-bushel facility and gained a substantial presence in the East.

John Sr. also solicited John Jr.'s views on some complex hedges that the Company had initiated late in 1924: "I wish you would make a thorough study of the export situation as it affects our spring wheat. I frankly confess I do not know what to do about the hedges. Whenever Chicago breaks sharply we do not go down quite as fast, but on the other hand we lag frightfully when it comes to the advancing market. . . . I think it is very important to make a very thorough analysis of the eastern situation while you are there."

Yet six weeks later, John Sr. wrote John Jr. in a vein that seemed almost as if he had had about as much advice and new ideas as he could take: "I have noticed the two factors which you referred to—namely—Chicago July, and Minneapolis July and I entirely agree with what you have to say, but I do not want any more spreads on my mind than the one we have got. In fact, the more I see of these spreads the less I like them. They rarely work out the way you expect."²⁸

In December 1924, John Jr. and George Cargill (Will's son) left for a week's vacation in Cuba, to be followed by a return to Florida for further rest. John Sr. wrote a friend: "He is pretty well tired out of late and I felt it was quite necessary for him to get away for a little while."²⁹ At this same time, a felicitous new arrangement was made for financing with Goldman Sachs & Company, a relationship that would continue for many more years.³⁰

John Jr. returned from Cuba because of another assault on his health—the Cuban food had brought renewed stomach problems. He went to Chicago for treatment, and his close friend, Jack Hawley (whose father was a friend of John Sr. from the Texas days), wrote John Sr. late in February: "I saw Jr. when I was in Chicago. . . . The doctor says he must forget everything pertaining to business, until he has a complete relaxation, and then

he must work only a few hours a day for a long time. The doctor indicates that his trouble is mainly nervous. The doctor also says he shouldn't see visitors or talk business." John Sr. then wrote John Jr.: "I do not know what to think of Dr. Brown finding the same trouble that Dr. Fulton found five years ago . . . it seems to me there is something more . . . possibly this would account for all of your trouble. Let him take all the time that is needed to find out exactly what your condition is so that you will know what to do. It is much better to take the necessary time off now than to continue in the poor health you have been in for so many years."³¹

It was disheartening to John Sr. to have his son again incapacitated. John Sr. wrote: "I want you to entirely forget business. Do not allow these outside offices or business connections of any kind to follow up business." Even at this point, though, John Jr.'s mind was working on some of his plans. He asked Hendel, for example, to check some new correlations between specific gravity and test weight of grain. Hendel had sent back word that "there is a very decided correlation in moisture also."³² Once again, John Sr. had found it necessary to postpone a vacation trip.

John Jr.'s health rapidly improved, and by early March he was back on the job full-time. Later that month, John Sr. and Edna left for Europe; he wrote a friend: "We have suddenly made up our minds to go abroad again. I have been quite badly tired out of late and Dr. Bell is insistent that I go away and get far enough so I will forget about business, so we are sailing Saturday morning on the S.S. Minnetonka from New York and will go direct . . . to the Riviera. We do not expect to do any sight-seeing, but just loaf around until we get ready to come back, which will probably be in about two months."³³

A Surprise for John MacMillan, Sr.

If John MacMillan, Sr., had left on this trip to Europe in March 1925 "feeling safe," as he had said to Austen Cargill six months earlier, he was indeed living in a fool's paradise. For while he was gone, an internal revolt by some of his key employees, probably brewing for many months, came to a head. This set of events of 1925 lay at the heart of the issue of ownership and control of the Cargill Elevator Company and therefore deeply affected the firm's management fabric and, in turn, redefined some of its basic corporate goals and objectives.

John Sr. and Edna returned to New York and checked into the Plaza Hotel in the third week of July 1925, only then learning of shocking developments back at the Company. Younger son Cargill MacMillan was there to tell them about it personally. Family lore reports that Cargill and John Jr. flipped a coin to determine who would go to New York for this discon-

certing encounter. A Jack Hawley letter also awaited them, and we depend on it as the only written evidence of that first shock.

Hawley wrote, "I hope you are much better now because even a man in perfect health would be greatly disturbed to learn the things that have transpired." Hawley then sketched an unsettling set of events: six days earlier, Austen Cargill had demanded John Jr.'s resignation "or his positive assurance that he would take orders from you only thru Austen and not discuss business with you except thru Austen . . . also that he (Austen) had control of a majority of the Stock of the Elevators Company, etc. etc." Hawley had gone to Austen Cargill to corroborate this. Austen had told Hawley that he, Austen, was in a position of control. While he would do nothing "except with Mr. Hixon's approval" and wanted John Sr. to remain head of the Company, nevertheless, "if you refused this then the directors would demand your resignation."

Hawley continued, paraphrasing Austen Cargill's words: "For three years, you [John Sr.] have not been yourself, having acted through Jr.'s advice . . . John, Junior would 'go along' with all of the Company's Assets if he [John Jr.] were in the position, and if he wanted to." Therefore, John Jr. was considered a "most dangerous character." Austen added a rather enigmatic comment (to again use Hawley's words), that "Jr.'s resignation would probably not remove the trouble as it is more deep-seated (no explanation to enlighten me [Hawley] on this)." In sum, concluded Austen Cargill, again according to Hawley's secondhand report, "The whole business management must come back to 'the old order of things.'"³⁴

Hawley's letter quickly was followed by another, from John Jr. to his father, on July 26. In this remarkable, lengthy document, John Jr. was quite candid about his own role. It was clear that the revolt was not just that of Austen Cargill, but most of the senior management in the Company had joined in the effort. John Jr. specifically mentioned Roy Hoople ("I am quite sure that he always blamed me for that interference with the line bookkeeping two years ago, as well as the office changes and the printing press") and James Taylor, who "resented very bitterly my marine insurance activities making it more difficult for him with Marsh McLennon." Later in the letter, John Jr. admitted that probably all of the senior employees "with the possible exception of Tweeden or Lindahl . . . believes me to be a menace to the business of the very worst kind."

John Jr. continued, "The executives have been told of how I hope to deprive them of all authority and initiative, in brief of how disastrous are my policies." Apparently this widely shared negative feeling toward him surprised John Jr. greatly, for he stated in the letter, "up to that time I do not believe that I had any more ill will from the organization generally than would normally be expected to accrue to any executive who was apparently advancing rapidly." Yet, he now learned, "the executives have

been told things about me by one or the other which would be corroborated by another, and I can truthfully say that if one-half of the representations about me had been true, I would be a d.f. of the worst variety."³⁴

John Jr. attached what he called "a resume" of his own conversation with Austen Cargill, which had occurred on July 18. He too paraphrased Austen's own words:

Until three years ago, or roughly at the period when you came into the company, I had had no reason for complaint of any kind on the conduct of the affairs of the C.E. Co. At the time of our family quarrel I had decided that it was for the best interests of the family to leave things in your father's hands, in spite of considerable opposition from the other members of the family. Until three years ago, I had had no reason to regret my decision. Up to that time your father's management of this company has been perfect. His decisions had been almost infallible. . . . during the past three years I have not been satisfied with the course of events. The old tried and proven policies, your father's own policies, were abandoned, especially those parts which related to the creation of separate departments, and of non-interference with their respective heads. In fact this interference has been so bad that it has been only by the most strenuous efforts on my part that many of the leading executives have been kept from quitting. . . . It is generally agreed, by all those with whom I have talked, that you are the cause of this change that has taken place within the past three years, and I also feel that you are the real cause of your father's breakdown in health, this last being due to your having never given him a moment's rest from business. You are naturally intelligent and highly original, so that you propose one idea after another to him, which does not give him the proper rest after business hours.

In the résumé, Austen expressed antagonism at the "great department . . . created especially for you" and intimated that this department (John Jr.'s "Account 38" wheat account) had been kept profitable only by claiming profits from other operations in the business.

Austen Cargill, according to John Jr.'s words, had in this meeting developed on paper a new organization structure that would allow John Jr. to stay in the business. But he would take orders through Austen. "I feel that your father must be relieved of your influence. . . . From this diagram you will see that any orders to you will have to go through me. Now in case you agree to this, it is by no means my intention to shelve you. In case you make good, and after years of experience seem to develop, you will, if conditions warrant it, succeed your father whenever he retires, and it is my wish, for I realize that I do not know enough nor have I capacity enough to run this business myself, it is my wish that you may develop to that extent." If John Jr. refused this arrangement, Austen Cargill wanted him out but was willing to finance him "dollar for dollar whatever your father wishes to put up to start you in business." There were already plans afoot

³⁴"Damm fool." (Lester V. Berrey and Melvin Van Den Bark, *American Thesaurus of Slang*, 2nd ed. [New York: Thomas Y. Crowell, 1952], p. 353).

for Jack Hawley Jr. and John Jr. to join together in a research and development business, presumably with the latter still keeping his Cargill Elevator Company assignment.

Although John Jr., in this amazing letter to his father, had made a few gratuitous statements about Austen Cargill earlier in the letter, at the end he was honest in not overstating what Austen was demanding. Again he paraphrased Austen's words: "If you decide to oppose me, I am so fearful of your influence over your father, that I must take steps to oppose him, and in case you agree to neither of these alternatives, and if your father declines to discharge you, then I will have to have someone else selected to run this business."³⁵

John Jr.'s relationship to the other men in top management *was* mixed—he was a strong-willed person and had not been backward about holding sway over other departments. There were several such examples in earlier months, John Jr.'s reference to his rift with Hoople being a prominent one. There had also been a major realignment of tasks in the merchandising department, again under his aegis.

In March 1925, just before Austen Cargill's challenge, there had been another case of John Jr.'s assertion of authority, one that was not quite settled yet but that certainly challenged traditional organizational patterns. This involved the chartering and insuring of Cargill Elevator shipments from Duluth. Each department head had done this independently as almost completely decentralized decisions. Lindahl and Prime in Duluth were involved, but so were the department heads in Minneapolis—Grimes, Owen, Cooper. Over the years, these people had developed long-standing linkages with insurance brokers of each one's own choice, an entrenched relationship that sometimes was less than cost effective.

John Jr. was proposing that this function of chartering and insuring be done centrally. Moreover, this function was to be given to one insurance company, chosen by John Jr. Harley Flood, the man assigned to Duluth at the time of the Julius Hendel unpleasantness at the grain exchange, was to be given the responsibility. The new plan was to be yet another link in the evolving "endless belt" concept that John Jr. was formulating.³⁶ Understandably, the proposal met with, at best, a lukewarm response from the department heads affected. A final decision on the plan was to be made after John Sr. returned from Europe.

As John Sr. sat in the Plaza Hotel, sifting through John Jr.'s letter, a telegram from John Jr. to his younger brother, Cargill, arrived: "Austen claims to have purchased Aunt Lydia's and Maggie's stock. Unable to confirm. Emma still undecided on proxy situation. Critical rush Father home." Presented with this further eye-opener, MacMillan returned forthwith to Minneapolis, the news so distressing to him that he visited his doctor on arrival (his diary noted, "Saw Dr. Bell—blood pressure 182").

The exact details of what happened next are not certain. A legend concerning this moment (many such abound about this whole saga) held that John Sr. went to all of the credit sources of the Cargill Elevator Company and persuaded them to refuse credit to the rebels. Almost immediately after learning of the challenge from Austen, John Sr. did send each bank the year-end financial statement of June 20, 1925; the probing replies of some seemed to infer that they had learned at least something about the stockholder dissidence. In truth, one can make just as good a case that the credit sources would have come to John Sr.—that they would have been so upset by the possibility of a young, untried management taking over that they themselves would have insisted on John Sr. remaining. One need only look at the record of the Company under John Sr.'s leadership to see that this might have been the case.³⁷

In his meeting with Jack Hawley, Austen Cargill had alluded to the role that Frank Hixon might play. John Jr. had said in his first letter to his father, "The deciding factor will be the attitude of Mr. Hixon and cousin John D. [John D. McMillan], as several of the largest stockholders have agreed that they will let Mr. Hixon decide the issue for them . . . Howard tells me that in his opinion his Father [John McMillan] will support Father [John Sr.] but not me, and if such is the case this would probably be Mr. Hixon's attitude." We are not privy to Hixon's views at this moment, as none of his letters remain. Indeed, he and John Sr. probably would have discussed this orally. Later in this momentous year for the Company, Hixon played another important role concerning Austen Cargill, as will become clear below.

No record remains of just how John Sr. got the disaffected senior executives back on board. One can speculate that his manifest affection for this group of people who were involved with him for years must have been tempered by his concern about their loyalty. Certainly, it was not a time to mince words. Although there is today no way of being certain of it, this seems to be the time when John Sr. would have sat stonily across the table and tendered blank sheets for resignation or loyalty. Two years earlier, on the occasion of the men's reluctance to let Julius Hendel trade on the floor, the situation apparently did not warrant this stand.

Whatever did happen right after John Sr.'s return, the result, known throughout the Company almost immediately afterward, was quite straightforward. John MacMillan, Sr., was to remain as head of the Cargill Elevator Company. John Jr. was to remain in the business, was to continue his control of the wheat account, and was to report directly to his father. There was no shareholder vote on any of this—it was as if the status quo had remained right in place.

Austen Cargill wrote Frank Hixon on August 7, first thanking him for intervening, then continuing, "My principal complaint, the internal fric-

tion, has been eliminated in a manner that not only wins my enthusiastic approval, but goes a long way toward removing a secondary complaint, that John Junior rather than his father is running this business. Any doubts that I still have on that point are minor and the future will, I am sure, eliminate them entirely."

All directors attended the annual meeting of the Company on August 11, 1925. The directors approved the minutes and reelected the previous year's officers. Austen Cargill made a motion for a 7 percent dividend, which was approved, and "there being no further business, a motion to adjourn was duly made, seconded and unanimously carried."

A Controversial Sale of Stock

There were critically important sequels to this, however, and in several respects these were even more important than the incipient revolt. The first action was taken immediately; at the stockholders meeting on that same August 11, 1925, the shareholders agreed to establish a voting trust for all of the common stock (23,476 shares of the total of 24,000 were represented at the meeting; all voted in favor).³⁸ Hixon, together with E. W. Decker and F. M. Prince (both of Minneapolis), were the designated trustees. The term of the voting trust agreement was five years.

In writing Fred Hanchette a few days later about the meeting, John Sr. noted that Frank Hixon had "stated that he had been called in conference by some of the bankers here just before the meeting" and that Hixon then made the motion for the trust. John Sr. implied that the bankers recommended the trust. It could also have been John Sr.'s own idea, but it is probable that the Company's bankers *would* have approved—the trust certainly would give stability (the \$859,000 profit for 1924–1925 was a vivid buttress for this conclusion).

"It seems to me and to Austen as well," John Sr. continued, "that this is a peculiarly happy solution, maintaining complete harmony between the stockholders, employees, and management of the Company." Hanchette gave Emma's proxy for the trust—halfheartedly—but expressed at the same time the classic passive stockholders' lament: "The vital interest with us is a matter of income, and I know your policy is to cut them [the dividends] as low as possible in order to build up a surplus. I understand the wisdom of that . . . but if we wait until you accumulate 4 or 5 million, we must live pretty close for a long time."³⁹

John Sr. responded immediately to Hanchette, with a reassuring comment about his goal, "which I have always had in mind," to pay an annual 7 percent dividend, and more "if justified."

John Sr. was frank with Hanchette about the chain of events that had just transpired:

I cannot tell you how sorry I am that you did not come to our annual meeting.

The curious feature of the situation is that everything evaporated as soon as it was known that I was home. I think I can say beyond any question or doubt, that if the plan that was attempted had been put over, you, nor I, nor any of us would have had any income for a considerable period ahead . . . this business could not have gone on. This business is absolutely dependent on borrowing vast sums of money, and no bank will loan money where there is known to be a fight for control within the organization.

I was sorry, more sorry than I can tell you, that Austen was so misled. Having been out of the business for five years [in British Columbia], I can see how he might have listened to gossip originating from jealousy and similar motives, not realizing the real situation. However, I am sure that you will be glad to know that he is quite straightened out, and he and Anne, and Edna and I had a very delightful time up at Spooner last week and the first of this week.

Finally, he spoke directly of the Hanchettes' involvement: "You too evidently, have been told a lot of idle gossip, for which there was no foundation. I cannot tell you how much I appreciate your assurance of entire



Fred and Emma Hanchette, c. 1909.

confidence. Incidentally, I have believed this right along, but the effort that was made to mislead so many of our stockholders is bound to have a bad effect, and to cost all of us a great deal of money. I cannot emphasize too strongly that unless you and I and Austen stand together, always, and are absolutely loyal to one another, the result is sure to mean disaster." It was clear in this letter that John Sr. had been aggrieved by the events, and he concluded: "There was so much misrepresentation of the whole affairs . . . such a vicious look that I cannot forget."⁴⁰

It would be surprising if the families had gone through this experience without some residual tension and ill feeling. John Sr. soon began to believe that Emma Hanchette had been making negative references about him and about John Jr. behind his back. John Sr. reacted in his usual blunt manner, penning a long letter to Fred Hanchette that meticulously went over details of what he thought had been "settled" earlier.

Emma responded to John Sr. with an apologetic letter. She first mentioned a promise she had made to Austen Cargill "years ago" to support Austen with her own stock if ever it were necessary. "When he asked me to fulfill it," she continued, "I had to do so. I felt it so keenly that I felt we ought not to be staying in your house" [the Hanchettes were in Minneapolis at the time of the stockholder challenge]. . . . I spoke to Jr. about it. He was wonderful then & I told him in confidence why I was in such a position. [Later], from a most unsatisfactory letter from him I learned he betrayed that confidence. . . . Austen gave me his word that whatever Mr. Hixon said would be final with him and I believed him but Jr. had his doubts."

She continued about John Jr.'s relationship to the executives in the organization: "The men in the office talked very freely with Fred & they certainly gave him the impression of trouble ahead, but it was all against Jr., not you . . . in spite of all we heard, we felt Jr.'s only fault in the office was lack of tact!" She closed the letter with a long "vote of confidence" in John Sr.⁴¹

John Sr. wrote back, immediately turning to the allegation of John Jr.'s alleged perfidy: "About John Jr. betraying your confidence, there could not possibly be anything of that sort. You made certain definite charges against his Father, and he could not rest without knowing whether they were true or not, and it would have been rank disloyalty to me if he had done otherwise. Unfortunately, too, I heard in La Crosse after your previous visit there, that you had been saying somewhat similar things, and I felt that under the circumstances I must set you straight."

John Sr. then defended John Jr.'s business experience:

I want you to know that we have two very wonderful boys. Both of them are of very high character and of very great ability. . . . I wonder if you realize that my two boys are the only grandsons of your father who could possibly ever succeed to the management of this company? Don't you think it preferable to have competent

members of the family engage in the management rather than have it run by entire strangers. I have always looked on this company as a family affair and if you, Fred, Austen, Edna and I always hold together, I do not think any of us need ever worry about the future.

(John Sr. was, of course, conveniently forgetting the Cargill side, not only Austen but others, such as William Wallace Cargill, son of W. S., who later became the successful chief executive officer of Ray-O-Vac Corporation, in Madison, Wisconsin.)⁴²

Apparently there *had* been some accusatory statements made within the two families, including remarks that "John was trying to get everything into his own hands." So John Sr. wrote several other letters at this time to key people, for example, to "Aunt Maggie" (Mrs. George Barker), whom he told that Emma "has attempted to influence my own boys against me."⁴³ John Sr. also accumulated in his files a set of statements allegedly made by several of the individuals involved. Some of these he actually had notarized, "to whom it may concern" statements.

The gist of these statements collected by John Sr. seemed to point a finger at James B. Taylor as the mastermind behind the abortive takeover plot. One of the sworn statements held that Taylor had said he "HATED John MacMillan's God Damned Guts" and that he himself was "the brains of the Cargill organization . . . that John MacMillan was 'only a figurehead and a poor one at that.'" There is no corroboration or defense by Taylor of these allegations still remaining in the records; one result of the coup attempt, however, was J. B. Taylor's resignation from the Company at the end of the year 1925. Cargill MacMillan took over Taylor's administration of Cargill Securities Company. Incidentally, despite his severance from the Company as an operating executive, Taylor continued to hold and vote his stock.⁴⁴

The Hanchettes Sell

There was one more very significant event. Sometime during the fall of 1925, Fred and Emma Hanchette sold their two blocks of stock in the Cargill Securities Company (a total of 5,000 shares) to John Sr. The sequence of events leading to this sale began with the telegram quoted earlier, sent by John Jr. in late July to his brother Cargill, stating in part: "Austen claims to have purchased Aunt Lydia and Maggie's stock . . . Emma still undecided on proxy situation." There is no way to reconstruct from the evidence still remaining whether the first two women had agreed to sell to Austen or whether Austen even made this claim to John Jr. There is support for the second part of the statement, that Austen Cargill did make an offer for the stock owned by Emma and Fred Hanchette in both

Cargill Elevator and Cargill Securities.⁴⁵ On December 5, long after the event, Fred Hanchette finally told John Sr. some of the details.

Apparently the Hanchettes were interested in selling their stock right from the beginning of the plot: "Pem [Emma Hanchette] wrote Austen to know if he and you could not buy it with the elev. stock. Austen came back with two or three impossible plans." There is evidence, in a document, "Tentative plan no. 2, purchase of Hanchette interests, Cargill companies," that a detailed plan was developed by Austen Cargill for the Hanchette sale of their interests in the two companies (the Securities Company and the Elevator Company) for just under \$900,000.

Then, several weeks after this "tentative plan" apparently fell through, further events occurred, beginning with a letter from Jack Hawley (John Jr.'s close friend and contemporary), written to Fred Hanchette on September 30, 1925. Hawley also discussed a possible sale, in this case only of the Hanchette Cargill Securities Company stock, with Hawley himself as the intermediary. In this letter, Hawley stated:

I still feel that if I could get you, say, \$400,000 cash and you get the dividend (proposed) of say \$25,000 making a total of \$425,000 net to you, that you would have a lot more pleasure out of the return from bonds than you will get standing in the position of arbiter between Austen and John Sr. . . . This is a very fine time to sell as you have all the available cash and dividends and it is unlikely you will get another for some time, unless things change a lot. . . . I will make about four or five percent on the sale over and above the price I think I can get for you.

He also alluded to the other Hanchette stock, the Cargill Elevator block: "There is of course no sale on the Elevator stock the way it looks now. The stock has just been trustee'd, the large dividend declared, the grain situation good but the Elevator profits shrunk to a minimum for this first part of the season when they normally should be greatest. There is also a high book value placed on this stock."⁴⁶

After this letter was written, Hawley made a personal trip to California to see the Hanchettes. He was attracted to the Hanchette daughter, Ellen (whose nickname was Budley), and had stayed with the family a number of times previously. Apparently, Hawley obtained from the Hanchettes the option to buy their Cargill Securities stock. Then, sometime in October 1925, John Sr. purchased these 5,000 shares at a cost of \$410,000 and made a gift of this stock to his two sons, John Jr. and Cargill; each received 2,500 shares.⁴⁷

In retrospect, Fred Hanchette expressed unease to John Sr. about the way the option was exercised; "We are glad to have made the sale but are simply flabbergasted at the deceit practiced by the one who made it [Hawley]. . . . That one whom we wholeheartedly loved and trusted deceived us as I cannot imagine a white man doing." Hanchette admitted to John Sr.

that he and Emma had wanted to "get out of the whole business." He continued, "If Austen knew we intended selling to you before the deal was made, we would have been perfectly satisfied. . . . Your owning it makes no difference in any way except that without his consent we could not give you absolute control over him Our one worry is that Austen, who has shown us the greatest generosity, will think we have double-crossed him." Hanchette referred again to the Summer's "revolt," mentioning again that "Junior was the subject of it all," that "Junior knew this and offered to get out," and that "then Austen declared he had not wanted him, Junior, out." Hanchette resurrected the story that had been going through the employee group at that time, "that you were both influenced and harassed by his (Jr.'s) ever occurrent schemes. The slogan was, manage as you managed before Junior's time." Hanchette ended this important letter with this paragraph: "I know something you could do that would win my applause. That is, offer to sell Austen one-half the stock we sold. I do not think for a minute he would buy it, but it would show a wonderful spirit on your part."⁴⁸

The Hanchettes had fallen on difficult circumstances through the half dozen years since World War I. The business downturn and inflation had hit them hard, dependent as they were on Cargill Elevator Company common and preferred stock dividends. They had purchased an expensive house and an expensive car; both were sick in this period, and they had large doctor bills. Fred had attempted a loan from the Company in 1921, but John Sr. was opposed (writing Fred, "we have always made it a practice to have our statement go out showing no loans to employees, officers or stockholders. Banks are getting more and more particular about these matters all the time"). The times were not good for Cargill Elevator in this period, and John Sr.'s conservative dividend policy had been reinforced. After the 15 percent dividend on the common stock in 1919, there was only one more dividend paid in cash in the period 1920-1924, 10 percent in 1922. The Hanchettes seemed to feel a loss of control—and of influence John Sr. had needed them in 1912 and 1916 but now, preoccupied about business, seemed no longer to need them.

Obviously, the Hanchettes felt caught in the middle and were desperately trying to stay on the good side of everyone, for on the same day that Fred Hanchette wrote John Sr., December 5, he also wrote Austen Cargill. Here the story was considerably different:

. . . about this deal. Jack came out here when I was sick enough to have a nurse. He had a friend, an oil man (I think his name was John Herbert) who had so much money that he wanted something, just such as the C.S. Co. was—no dividends, but with a big future prospect.

On that understanding, we signed our stock over to him. I had told Jack that I would not sell mine to John to give him a voting control if only for the reason that

you had been so fine and generous toward us, and I want to add emphasis to the generous. The sale was made and the money deposited in the First National Bank of Ft. Worth, Texas

Then, after some weeks after, we had a letter from Jack that he had sold it to John, we were so dumbfounded, so utterly and completely confounded that we were literally sick

I wrote to John to this effect too. It wasn't because John had the stock. The monetary arrangement was satisfactory to us. Altho, as for me, I was not well enough to analyze it. But we would not knowingly have made that sale without your consent. That we owed to you

Even as great a blow was, that this fellow whom we trusted and truly loved as a wonderful all-around and unusually human boy, should deceive us—we whom he claimed to like better than his own aunts and uncles.

Well this is the story and it only goes to show that one should use his head more and his heart less.

In John Sr.'s reply to Hanchette, he made no mention of the latter's suggestion of selling some of the stock to Austen. John Sr. did, however, strongly defend Hawley, asking Hanchette "to reserve judgment till you know all the facts in the case. . . . I think Jack is all that you have previously thought him to be, and he would do anything under heaven to be of service to you or to us."

John Sr. then referred to the option:

It happens that I did not know anything whatever about his having an option on your C. S. Co. stock, until Cargill and Junior came to me with it, and I decided to help the boys buy it, just as I previously helped Austen to finance the purchase of his share of Will's stock. You are quite wrong in saying that you wrote me after my return that you would like to get out of the whole business. If I had the slightest idea of that, I would gladly have cooperated with Austen in arranging some kind of deal. It did happen, however, that Austen attempted to buy you out without in any way consulting with me, and when I learned this, I did feel that it was a protection to the boys, and thought it would prevent any possibility of a recurrence of what happened last Summer. . . . I am quite sure that the only thought that has ever been in Jack's mind has been to see that the stock fell in hands that would be friendly to Junior and Cargill, whom he looks upon as his two most intimate and dearest friends. . . .⁴⁹

The purchase now gave the John MacMillan family majority ownership of Cargill Securities Company for the first time—12,500 of the 20,000 shares, with Austen Cargill still holding 7,499. The immediate effect on the ownership structure of the common stock of Cargill Elevator Company seemed not to be too dramatic. Cargill Securities Company owned only 507 shares of the 24,000 outstanding in the Elevator Company; all of the shares were trustee in the voting trust anyway. However, the reality of this purchase of the Hanchette Cargill Securities stock was profound. Along with this purchase perhaps came some understanding between the Hanchettes and John Jr. and Cargill MacMillan as purchasers, either tacit

or written, that the Hanchettes would also sell their Cargill Elevator stock at a later date. Given John Sr.'s mistrust (certainly reasonable after the surprising events of the summer), there could have been a written agreement, although there is no documentation of this in extant records.

The proof is in the results, however—in May 1927, Cargill Securities Company purchased the common stock in the Elevator Company owned by the Hanchettes, in exchange for their receiving 7 percent preferred stock in the same company.⁵⁰ Now the combination of the MacMillan shares (John Sr., Edna, John Jr. and Cargill), when combined with the shares now owned by the Securities Company, comprised a much more substantial total of Cargill Elevator, over 43 percent. The stockholder structure after the 1916 reorganization gave roughly one-third of the holdings to "Cargill interests" and another one-third to "MacMillan interests," with the remaining one-third in the hands of the employees and other friends, it was, as Austen Cargill was quoted by Hanchette, "with the control in the hands of the employees." While the statement still was true, the finely set 1916 balance of one-third of the stock in each of those three key interest groups had been significantly altered. The five-year voting trust gave protection to all holders of common stock that no faction would be able to vote separately or attempt a takeover. In 1930, when this voting trust expired, Cargill Elevator Company was reorganized, and Cargill, Incorporated came in to being. In the process, the sale of the Hanchette stock in the two companies (Cargill Elevator and Cargill Securities) allowed the John MacMillan, Sr., family to gain outright majority control.

The most enigmatic role of any in the events was that of James Taylor. He had been centrally involved in family business affairs since the 1890s, managing most of the routine Cargill Securities Company business, handling Austen Cargill's business affairs while Austen was at war and in British Columbia and voting the proxies of the Hanchettes at stockholder meetings. In late November 1925, John Sr. dictated—and had notarized—further statements about Taylor during the course of this most recent set of events. The first involved an apparent discrepancy between what Taylor had told John D. McMillan, namely, that "we have decided to drop John H. MacMillan from the management of the Cargill Elevator Company," and what Taylor later told John Sr. himself, that "if a contest arose for control that he would of course support me." When John Sr. queried McMillan about this, the latter was quoted as saying, "He never said anything of the kind. He said just what I previously told you."

John Sr. also excerpted part of a letter to Edna from Emma Hanchette, back in early November, and personally "notarized" it. Emma said at that time, "If Jim Taylor has told you anything, I ask you to discredit it absolutely. He is no friend of ours or yours and a bitter enemy of Jrs. I have known he was two faced for years and if he is friendly with John—well it

is too much for me. I can almost hear him tell John how hard he tried to keep peace in the office, etc., while John was away."⁵¹ We do not have any Taylor response to these allegations; although there are a number of routine Taylor letters in the correspondence, none relate to these incidents.

The role of Jack Hawley, at least to the extent it is known, seems ambiguous, too: what happened with that option is still not clear, nor is it clear just what Hawley had meant by the statement, "I will make about four or five percent on the sale." Hawley remained in the good graces of the entire MacMillan family. Indeed, he was being married that fall, and many of the festivities were held under the auspices of the MacMillans. However, future events would mar this relationship once again.

There remains one more important ingredient to complete the story. This was the question of just what Austen Cargill's role in the Company was now to be. Frank Hixon played a strong hand in this matter as, indeed, he had done at so many critical points of tension—the 1909–1910 events, the 1912 formation of the Cargill Securities Company, the reorganization in 1916, and now the 1925 imbroglio caused by fear of John Jr.'s actions in the Company. John Sr. then decided to immediately ask for the resignation of James Taylor and forthwith wrote Hixon about this. Hixon cautioned, "I want to advise you very strongly to acquaint Austen with your intention of asking for Jim's resignation at least several days in advance of taking the action. It could do no harm, while if sprung as a surprise it would very likely have an unfortunate effect. He would naturally feel that he was not in the least in your confidence." Apparently John Sr. did this.

Hixon then wrote John Sr. again four days later:

You are in a position where you are absolutely protected . . . consequently I feel that, beyond letting Taylor out, you should await developments rather than try to anticipate them, when by doing so you might unnecessarily alienate Austen's goodwill and possibly instill an atmosphere of fear and uncertainty into your organization. I think that he made a mistake which he will not repeat again, and if I am wrong in my estimate of him you still are taking no chances in dealing with him on the assumption that he is going to be loyal and friendly in the future . . . you can afford to be generous as well as just . . .⁵²

There was still be a question between John Sr. and Austen about just what this role should be. Austen's skills with motors learned during World War I had already been drawn upon by the La Crosse & Southeastern Railway, and, of course, he had had substantial experience prior to the war at Green Bay and then at Milwaukee under Grimes. Again Hixon took a decisive role in ameliorating the tension. He wrote John Sr. in late January 1926:

I think that Austen's demands are absurd. If he comes into the organization, his future in it should rest on merit alone, and if he does not come in I do not see on

what basis he can expect assurance that you will buy him out whenever he wants to sell. I received and answered a letter from him before yours came, which I quote as follows: '... I do not know just what John's proposition is, but, unless you want to keep yourself free from business duties and responsibilities, I wish you could see your way clear to accept it and at least give it a trial. You could thus keep in touch with the business, and what is just as important, meet John part way in what I believe to be an earnest effort on his part to establish and maintain pleasant relations...' I think that the best thing in the world that could happen to him and all concerned would be for him to take on a real job and occupy his time and mind with his duties.⁵³

Apparently this incisive comment by Hixon, made as forcefully to John Sr. as to Austen Cargill, succeeded in breaking the log jam of feelings between the two. Austen Cargill did come into the business at this point; he first took an assignment in La Crosse to set up a new bus line to supplement the limping La Crosse & Southeastern Railway, then came to Cargill Elevator Company, in July 1926, in an important and responsible role—he became executive head of the Commission Department, working closely and coming to know very well the country elevators, the commission customers and the others out in the field. The department's first annual report, in 1927, noted this new development: "Credit facilities were extended to customers, the branch offices then numbering five were added to the Department, solicitors were engaged and serious efforts were made to develop the business." John Sr. wrote John Jr. of this assignment, "I think now that everything from a family viewpoint is just as agreeable as we could make it." John Jr.'s authority had now been reinforced openly by his father and the MacMillan stockholdings.⁵⁴

And so the whole matter rested. It seems evident from extensive correspondence that Austen Cargill and John MacMillan, Sr., continued to have a friendly and supportive relationship. George Cargill and Austen Cargill, John Sr. and John Jr. took a long vacation together in January 1926, fishing off the Florida keys. There were further mentions of social engagements that involved Austen and Anne Cargill paired with Edna and John MacMillan. The threatening events of that summer and fall of 1925 seemed to have dissipated.

Stories still surface from time to time about these events. Perhaps the best epitaph for the families today is that it happened over 60 years ago, ended in at least surface harmony and can be put down here as interesting, worthwhile family history. At least that is what Frank Hixon concluded, writing to John MacMillan after the Company's "first stockholders luncheon," in August 1926: "While the flareup of your organization seemed a most deplorable mess at the time, I am now convinced that it served a most useful purpose in bringing about a better understanding all along the line and paving the way for the new spirit of team-work which now seems to be well established."⁵⁵

Location unknown



CHAPTER EIGHT

Centralization and the "Endless Belt"

Frank Hixon had said that there was now a renewed "spirit of team-work" in Cargill. It was led by a more cautious chief executive. Indeed, there is a noticeable change in John MacMillan, Sr.'s letters in this post-revolt period of late 1925 and 1926. Evidence remained of the pervasive kindness and goodwill that John Sr. seemed intuitively to hold toward his employees, and he continued the positive motivation and encouragement so characteristic of his earlier approach. However, there was a sharper tone of criticism, a willingness to assert a more authoritarian, centralizing posture. He had worked very hard to achieve consensus. Now John Sr. was centralizing. Before, he would have been concerned about employee feelings. But now, with their disloyalty, he did not feel he need worry about it. The lesson of the revolt was to tighten the reins, sharpen control of organizational differences, and less of "all of you work it out yourselves in the field."

How much of this change stemmed from John Jr. is difficult to assess. Certainly John Jr.'s personal precepts of organization were more strongly centralizing than were his father's. World War I also significantly shaped his thinking. First, there was his commander's (General Foote's) belief that if the brigade's central staff could operate in isolation, it would be more efficient. John Jr. saw this practiced in the chateau in France, and he too found it effective. Second, the basic organization form espoused by the armed services, the "line and staff" structure, made a great impression on him. He referred to these concepts often in conversation, speeches and writings.

From 1925, John Jr. had preached—and practiced—that strong centralization was the best form of organization. He coupled this with his "endless belt" concept to form a tightly knit, multifunctional organization, peaking up through line commands to the top. The link between the military and business was particularly evident in his 1946 speech (which he had set in print), "The Theory and Practice of Organization." Interest-

ingly, he spoke shortly after his father's death in 1944, and in this important piece he claimed virtually complete credit for the organizational changes.

He began with an armed services analogy:

I myself had the rare good fortune at the age of 21 of becoming adjutant (or Chief-of-Staff—although today I rather imagine it would be called Executive Officer), to a Brigadier-General of Field Artillery. I had previously had experience as an enlisted man in the Connecticut National Guard, where I had the fullest opportunity to see the set-up for the so-called line theory of organization. Now the Brigade was the smallest military unit which had the functional scheme of organization. It was a tactical rather than an administrative organization. I therefore had the incredible good fortune of acquiring a first-hand knowledge of the practice and theory of organization at a very early age. Most men who acquire this rarely do so until they reach advanced middle age. My associates in Cargill were intelligent enough to appreciate the value of this experience, and had enough confidence largely to give me a free hand in arranging our own organization, which had really grown in a hit or miss fashion. Consequently you will be more and more impressed with the parallel between our own set-up and that of the Army or Navy.¹

The writings of Alfred Chandler, the highly regarded business historian, on "strategy and structure" are useful here in understanding the importance of John Jr.'s organizational thinking.² Chandler believes history has shown that businesses are governed by inertia, that they change their overall direction (Chandler's "strategy") mostly when forced to do so by competitive pressures, and that a change in strategy is likely to be successful only if accompanied by a decisive change in organizational structure. John Jr. now entered into a process of changing the Company's direction; his expressed reason for doing so was to counter moves by competitors. This happened to mesh with those beliefs assimilated back in his army days. In turn, he did make decisive changes in Cargill's structure.

Underlying this was the question of efficiency. Did Cargill's forward integration bring economies of scale? Just what *was* the requisite volume to bring the corporation above a "minimum efficient size?" Chandler points out that integration, both horizontal and vertical, generally must be followed by extension of more coordinated administrative efforts. However, this does not necessarily imply a full-scale, top-down centralization, John Jr.'s instinct. The successful General Motors model in the 1920s under Pierre du Pont and Alfred P. Sloan was decentralized. These judgment questions about proper organizational balance have recurred throughout Cargill's history, and have been debated anew at each stage of development.

Marine Insurance and Chartering Changes

Just after the 1925 internal revolt in the firm, John Jr. put into full effect a plan for centralizing lake freight chartering and the purchase of insur-

ance, heretofore decentralized into the hands of the four department heads, with the Duluth heads, Lindahl and Prime, having the strongest role. He had first broached the plan in early 1925, before the revolt, as he negotiated with a close friend, vessel broker R. M. Knox, about the possibilities of Knox joining Cargill as the head of a new "marine department." It was to be a major job, for the proposed salary was \$6,000, an amount that would rank with senior officers of the Company at that time. The negotiations with Knox had not set well with some members of the organization, and this patent move toward centralizing was a contributing factor in the revolt. Despite the attractive offer and his close friendship with John Jr., Knox turned Cargill down. John Jr. expressed his great disappointment but asked Knox "to do what you can to help me out in perfecting my arrangements for next year, especially with Jim [J. B. Taylor]."³

Then, on August 22, 1925, just days after the revolt, John Jr. revealed a detailed plan on vessel chartering and insurance to his father. John Jr. had demanded from several vessel brokers in Duluth that they allow Cargill to place its own insurance. John Jr. estimated that the Company could cut its marine insurance costs from 30 cents to 18 cents per \$100 valuation. When the brokers initially refused, "I countered by stating that unless they would consent to our using whatever insurance we wished, that we would open our own chartering office in Cleveland and engage in vessel chartering business." This loosened most of the brokers' positions, although two continued their refusal to deal with Cargill on this new basis.

Inherent in John Jr.'s plan was his decision to centralize the whole process rather than allow it to be done by the individual department heads as in the past: "I asked Lindahl and Prime to turn their charters over to [Harley] Flood. . . . Each declined on the ground that they did not wish to 'submerge their individualities in a large organization,' but both agreed to tell Flood of their requirements so that we could possibly get together and use one boat whenever possible."⁴

Although there was grudging acceptance of the general plan by Prime and Lindahl, they did not follow through on it. John Sr. wrote remarkably strong letters within days to both. In his letter to Prime he wrote:

I had John Junior particularly consult with you and Lindahl so that there would be complete harmony and agreement before entering into the agreement, and I am somewhat puzzled to find that you are chartering your boats through Dinham and Stocking, and giving them the insurance at the old rate basis. For some time, I have been conscious that we have been allowing these brokers to use our various departments in a competitive way against one another. This is bad business . . . and this work of chartering boats must be done through one man so as to avoid this competition between departments.

Then John Sr. continued in an uncharacteristically severe mode: "That, however, is not the most serious feature of it. When the word of this

organization is given, at any time, with my authority, as to any arrangement, our word is just as good as a written contract. . . . I must keep our word good in this case." He cautioned Prime: "This effort is therefore the result of your own theory, and yet somehow I find you are one of the department heads that insists on paying the old rates."

Lindhahl responded immediately to his letter: "I . . . could not do the business I did yesterday with Montreal unless I have the boats in hand. No matter who I get them from, I have got to get them through an agency that has them or else stop doing business. Now this may not seem to your liking, but I wish you would come up and talk matters over, then you can thrash it out here any way you wanted, but to favor certain boats is going to stop business."

John Sr., adamant, wrote back: "I told you over the telephone how much money this kind of foolishness has cost us, and I hope you will see that no charters are made hereafter excepting through the three agencies with whom we discussed the matter yesterday, unless they cannot furnish the tonnage under the conditions we require." To Prime, he stressed "the absolute importance" of dealing in the way John Jr. had decided. The Duluth executives clearly were given no choice.

Other organizational moves tightened reporting relationships in the



Cargill Print Shop, December 1930.

Minneapolis office. The accounting function under Roy Hoople was realigned much more explicitly along John Jr.'s "line" concept. Similarly, the print shop had been given a more centralized relationship, reporting directly to John Jr.⁵

It became evident now that John Sr. had given his son major responsibility for overall company policy and would back him when John Jr. stepped on the toes of those in the organization who liked to do it "their own way." John Jr. was not tactful. Impatient with persuading those who could not see at a glance the total picture, he saw no benefit in old habits unless they fitted his ideas. He was intolerant of the time necessary to effect change. He also was a man of strong opinions, action-oriented and always thinking of new ways to put together old ideas. He was an innovative, creative person, with vision about the future. At the same time, however, he was widely perceived as authoritarian in his approach.

Lindhahl Declines

It had become painfully apparent that there had been some significant changes in John Sr.'s relationship with Lindahl, poignant for the latter. The long-standing role of Lindahl as a mentor for John Sr. now seemed ended. The cooling of feelings on the part of John Sr. may have begun in 1922, when the Company voted a stock dividend. Special arrangements were made with the two widows, Aunt Maggie and Aunt Lydia, so that the employees who had borrowed money from them to buy their stock in the 1916 settlement could also participate in this new dividend. Lindahl, however, wanted no part of additional stock; indeed, he shocked John Sr. by announcing that he wished to sell all of his stock back to the Company for cash.

This had been a right explicitly stated in the contracts from the start, so John Sr. acceded to the request and tendered cash for all of Lindahl's stock. Privately, however, the action irked John Sr. considerably. He always resisted any request to remove capital from the Company, and this was probably more than just his concern for maintaining financial strength—it was as if he felt the person was expressing a lack of confidence in him as chief executive officer. He wrote Austen Cargill that "ever since he has owned that stock, he has been as nervous as could be. . . . I think his actions have at times reacted rather badly on the organization . . . this will entirely remove any anxieties he may have had in connection with ownership of this stock. . . . Of course, I have written him nicely so he will have no possible occasion to feel offended but I feel rather hurt over his lack of appreciation for what has been done for him."

Austen Cargill, too, was disenchanted with Lindahl at this time. In a report to MacMillan on Duluth's poor results in the crop year 1922–1923,

he observed, "I have always felt that Duluth's showings were largely due to successful manipulation of hedges and spreads rather than a strict merchandising business. If true, a change in methods would seem to be in order and I don't believe Lindahl can bring it about as he has only been trained in the one way of doing business."⁶

This disaffection should not be overstated. John Sr. continued to be "exceedingly fond" of Lindahl (MacMillan's own words). Lindahl was certainly not one of the dissidents in the 1925 revolt—perhaps he did not even know the challenge was imminent. But Austen Cargill probably had a point in calling Lindahl "old fashioned." John Sr. worried that both Lindahl and Prime seemed unable to see the larger picture—to "make the most money" for the Company as a whole.

This difference in thinking was aptly illustrated in Austen Cargill's example, the accounting issue. In September 1926, John Sr. wrote Lindahl that he and a group of the Minneapolis Cargill executives (his brother Dan, John Jr., Ed Grimes and Roy Hoople) had decided to change the basis of profit-center charges. An expensing on the basis of allocated storage space was proposed, using an average of the past five years of expense as a basic charge. Onto this would be added a handling charge of 5 cents a bushel, and the screenings would be allotted to the grain account that was claiming the space.

Lindahl immediately demurred. He particularly wanted to keep the old traditional practice of the elevator being able to claim the screenings, irrespective of who had the grain in the bins. "I think you were wrong and making a bad mistake if you allow any of the accounts credit for screening. They belong to the elevator—always have and always should." John Sr. wrote more diplomatically, promising that "it was not my intention to change anything except the accounting, and that only to the extent that one department will not be penalized in doing business which shows a profit for some other department." He explained his rationale: "I am so anxious to work out some accounting method that will make everybody try their utmost to draw trade, and not look at it from the narrow point of view of whether his transaction is going to show a profit for his immediate department, but rather if it is going to make money for the organization as a whole."

John Sr. also was exasperated with Duluth at this time about the apparent lack of quality control. In 1925 and 1926, the federal inspectors were being particularly stringent. So it seemed at least to Lindahl (who commented, at one point, "I think Mr. Carroll, the Federal traveling superintendent, is a very bad egg"). Whether this pejorative was earned, the Duluth shippings increasingly were rejected by buyers as having too high a percentage of dockage. John Sr. wrote Lindahl in September 1926: "In looking over the inspection of your grain shipped, I notice that so far,

spring wheat shows an average dockage of 1.89%, durum 1.79%, and rye 2%."

John Sr. objected to the Duluth inspection record on two scores. First, if they would do additional cleaning, it would allow some grain to be graded higher, and second, Cargill grain now was being singled out by the trade as not clean enough. As he put it to Lindahl, "There is no question about the seriousness of this situation . . . most of the trouble we have had of late in trying to get bids from the East has been due to the fact that the trade is suspicious of us, and are not willing to buy from us when they can secure so much better quality from our competitors." Lindahl was apologetic; "I had the matter up with McManus [the superintendent at the Superior elevator] and he maintains now as always that it does not pay from a money standpoint to clean grain down to 1%."

Once again, both Lindahl and McManus were using a narrow focus, comparing only the screenings obtained against the fuel costs, and shrinkage against the screenings' value, forgetting completely about the issue of quality in a competitive environment. John Sr. put the issue candidly to McManus: "I do not believe either you or Carlson [another executive at the terminals] appreciate the character of wheat that our competitors are furnishing these eastern millers, and it is a most serious loss to the organization as a whole to have a situation develop whereby we have lost the prestige that we formerly had with the eastern milling trade. The net result is that we are now unable to sell them anything."

After receiving this letter, Lindahl penned an apology: "I am very sorry that the wheat was disappointing down east, as of course it makes it bad for you and your Buffalo office" but rationalized. "It is barely possible that those complaints were received from wheat that ran down to the side of the boat that contained a little more dirt, or possibly got the last of a bin when it was loaded out from Buffalo into cars which is apt to be a little more dirty . . . Jr. told me that they wanted it down to 1% and McManus said it was an utter impossibility."⁷

John Sr.'s new aggressiveness in addressing his colleagues began to cause friction. For example, he wrote L. N. Cote, the terminal manager at Milwaukee, "I find in talking with Mr. Hawley today that you have been disconnecting your static condenser at times, using your own judgment as to when to use it. This entirely destroys the theory on which the condenser was put in. . . . I do not know on what theory you have been disconnecting it, but in any event please see to it that this never happens again without my permission." The manager, taken aback by this, wrote John Sr. about his injured feelings. John Sr. then had to apologize: "I understand you felt somewhat hurt over the letter which I wrote you on November 9, and, if so, you have taken it in a spirit I did not intend at all. It was not intended in any sense as a reflection, but merely as an explanation. . . .

No one appreciates more than I do your keen effort to operate at the minimum cost."

Yet John Sr. still responded to his employees with respect; for example, when one employee asked if he could buy stock, MacMillan agreed, adding an indirect compliment: "I am sure you realize that we reserve it only for those who we consider key men in the organization." When A. L. Jacobs, the manager at Milwaukee, asked for a raise, MacMillan responded, "In looking at the facts of the case, I feel that this is quite proper." MacMillan asked for some reports from an auditor in one of the company's subsidiaries and, after spelling out the facts he desired, continued, "I wish you to understand the purpose of the information, and if there occurs to you anything that you think may be of interest, I would be very glad to have you include it." When a report came in from Rudy Semsch, a Company auditor, MacMillan responded, "I want to congratulate you on making this up in such a comprehensive way. It gives me just the kind of information which I wanted." He wrote Semsch at a later date, "I am very glad indeed to have this data, and I appreciate very much the care you have taken and the splendid arrangements of the various items, all of which will make it very easy for me to think over the problems we now have in hand."⁸

The various organizational adjustments during this mid-1920s period mirrored a much larger set of forces operating on the business as a whole. The center of focus for the Company was now shifting sharply eastward, with Buffalo in the vortex of this change. In turn, this brought important changes back in Minneapolis.⁹

The Enigma of Buffalo

Buffalo had been the "foot" of the Great Lakes since the end of the eighteenth century, when the first Soo lock connecting Lakes Superior and Huron was constructed by the Canadians in 1797. There is a 23-foot differential in elevation between the lakes (Superior the higher). At the Soo, the 60-mile long St. Marys River formed a rapids and falls, dropping the level of the river 20 feet in one mile. The Americans rebuilt the locks in 1853 and 1881, the Canadians again in 1883. Improvements also were made in 1914 and 1919. Cargill had been shipping from Duluth to Buffalo since the 1890s. After the fundamental shift in the early 1920s, when companies from Europe opened offices in Duluth, Western grain companies, in turn, reached eastward. Cargill's Taylor & Bournique acquisition was an example of this. The question was, for Cargill (and others), should they purchase a Buffalo terminal or build anew?

John Jr., holding tenaciously to his concept of the endless belt, was convinced that terminal facilities in Buffalo would make the process even more manageable. Indeed, to carry out the new concept (new at least for

the Westerners) of export "fobbing," where the Company kept ownership and arranged transportation and insurance to the port of export and sold FOB (free-on-board) there, facilities at an important eastern terminus would be a signal asset. But plans were underway to enlarge the Welland Canal, and if such a route was developed, Montreal would become the preferred port. Perhaps even some new terminal development farther down the St. Lawrence River might be needed.

This seemed to come as a complete revelation to Lindahl, for he wrote John Sr. in June 1926: "It surprised me very much and shows how ignorant we are sometimes about large improvements that are going on. . . . It will be possible to load the largest freighter on the Great Lakes with wheat and send it on to Lake Ontario, as for instance, Oswego or any of the Ontario ports." John Sr. wrote back brusquely, "We are quite familiar here with the Welland Canal situation for some time."

As early as 1920, John Sr. had lobbied for a St. Lawrence project, concluding in a letter at that time, "The early completion of this Deep-Waterway-to-the-Sea project is essential to business throughout the Northwest and the Southwest." In 1925, he had asked John Jr. to make a study of what the Welland improvement would mean to the Company. John Sr. wrote, "I do not believe there will be a deep water way to Montreal in less than ten years' time, but with the completion of the Welland Canal it might be that the large lake boats will run to Oswego and transfer export grain there, so you can see the Buffalo situation is not a simple problem." John Sr. wrote this letter to John Jr. in early 1925, just before the revolt, and added a telling promise: "Think the matter over carefully after you get away and discuss it a little bit with the organization here. You need not fear but what I would back you up. I would not for the world have you ignored."

It was becoming increasingly arduous to get adequate storage space in Buffalo on a year-by-year lease basis (such as Cargill had been doing with the Kellogg terminal). So extensive negotiations were conducted in the period 1925-1927 looking toward the purchase of existing Buffalo terminals—the Superior Terminal and the Dakota Terminal as possibilities. John Sr. continued his antipathy toward the Chicago route. He wrote a vice president of the Chicago and North Western Railway, when offered their terminal in 1927: "It is quite unnecessary to point out to you the uncertainty that exists in Chicago at present, due to . . . the trial of the officials of the Armour Grain Company and possible new regulations of the Chicago Board of Trade. No one can foresee at this time what the operating conditions of an elevator might be in Chicago." From the early 1920s, the Company had maintained the small leased operation at Ogdensburg, New York (not a popular port to the Great Lakes shipping operators because of its difficult berths). In August 1928, John Sr. wrote Harold Tweeden, the Buffalo manager, who was also in charge of Ogdensburg: "I do not know

what Mr. Grimes has in mind for the elevator [Ogdensburg] this year but it would seem to me self-evident from results of last year that we cannot afford to maintain a crew at that place. . . . I do not see any other plan on which we can afford to operate until completion of the Welland Canal."

Oswego, New York, remained an alternative possibility; the Welland Canal would be used there too, and the berths were better. In 1929, the Interstate Commerce Commission gave Oswego the right to charge a preferential rate to New York and Boston, lower than the Buffalo rate for both domestic and export, and John Jr. wrote his father, "This . . . will establish a precedent for demanding similar rates out of Ogdensburg and it seems to all of us here that it will definitely mark the end of Buffalo as an important transfer point." There was even some discussion in this period of shipping out of Churchill, Canada, via the Hudson Bay route. While this route was not competitive with the St. Lawrence, it was believed to be marginally competitive for Western grain (Montana, for example) and therefore had implications for all of the eastward movements.¹⁰

As puzzling as were these logistics and transportation questions, the effects of this "Buffalo-and-eastward" pressure on the Cargill organization itself was even more momentous. Heightening centralization all through the mid-1920s under the influence of John Jr.'s ideas brought tensions among department heads, both before and after the 1925 revolt. John Jr.'s Account 38 and the coarse grains accounts of Ed Grimes (since 1924 a vice president of the Cargill Elevator Company) had gained at the expense of the Duluth accounts. Although Lindahl still bought some wheat, especially durum, more trading was done under the direction of Minneapolis. Ed Grimes was making many of the decisions in filling the Superior bins and asking the Superior superintendent for mixing according to his own customer needs.

In one case, in May 1926, Grimes wanted to substitute No. 2 White oats for No. 3 Whites, to meet a Buffalo demand. John Sr. ordered this done, assuring Lindahl that he would "guarantee the Duluth account against any loss caused by the narrowing up." By return mail, Lindahl sent forth the good soldier's reply, that he would comply, but ended plaintively, "We would prefer to keep our 3W oats at 1½¢ less than 2W price but will keep the 2W as per your letter today."¹¹

There was a notable difference in entrepreneurial style between Grimes and Lindahl. For example, in regard to oats, Grimes was pricing No. 2 Whites at a 1½-cent premium. Lindahl had priced his at only a 1-cent premium. Lindahl stated: "My idea of making only 1 cent difference was to have our oats invoiced at a safe price so that we would have something to go on in case the oat demand should come slow later on. This is the policy I have always pursued in making up statements, to have them on the safe side as much as possible."¹² There were also several instances where

Grimes actually purchased grain from Lindahl, in turn selling it at a profit for his own coarse grains account. In a case in late 1926, Grimes bought some of Lindahl's oats, and John Sr. commented to Lindahl: "Ed is taking a pure gamble on them, but I am sure he can work them out all right in the end as long as he has the space at Buffalo. . . . I am glad you have that off your mind now, and that you will have some room to take care of business properly."¹³

The centralization of chartering and insurance also continued to cause irritations. At first, these activity was under Harley Flood, working out of Duluth. Flood seemed too timid to John Jr. At heart, Flood was a trader, not relishing administration. Then a younger man, F. J. Hays, was given the assignment. John Jr. explained this to Harold Tweeden, the Buffalo manager: "He has actually been doing this for some little time but in the future we are turning it over to him entirely. . . . I wish you would pass the word along to the boys in your office that they should look to him for instructions relating to this end of our business." Hays wasted no time in informing John Jr. that there was "not very good teamwork between Mr. Irwin and Brown [the assistant manager of the Buffalo office] . . . that one or the other frequently fails to notify the other one either of directions he has received or of the orders given and this results in confusion and at times considerable embarrassment."

Hays was a strong-willed administrator. An iconoclast, this taciturn man soon established himself as the "dean of transportation." Stories abound about his inarticulateness. If one were meeting Hays for an interview, Hays would sit absolutely silent waiting for the visitor to make the first move. Then Hays would often answer in monosyllables. Yet the qualities that Hays exemplified suited the complex, abstruse world of ship chartering and insurance brokerage.¹⁴

John Sr. was meticulous in making certain that each of the departments assumed its full expense charges: when the cleaning machinery was used on wheat, there was less dockage to credit to whatever account was to receive it. John Sr. at first indicated to Lindahl that the spring wheat account itself would have to stand the difference; Lindahl worried that John Sr. was intending "to take the screenings and give it to the Spring Wheat account, which would not be fair because the elevator certainly is entitled to the screenings. It has always been the custom at all elevators at the head of the Lakes that the screenings belong to the plant and are necessary as a cost of the operation. On short crop years especially the 1½¢ elevation does not pay the cost of operation." John Sr. decided to back off: "They will be figured as always."¹⁵

It was space allocation, however, that most galled Lindahl. This was particularly exacerbated in 1926, when several of the elevator bins in Superior were being repaired and were temporarily out of business. Grimes

had put over 7 million bushels of oats through Duluth in the earlier part of that year. Lindahl complained about both the volume and the handling and elevation charges he was being asked to absorb.

John Sr. wrote a trenchant letter in return:

You are quite wrong about this. . . . On account of the reconstruction work going on at Superior, you had to handle them the way you did, which, of course, was all right. But we cannot afford to handicap Mr. Grimes or put him out of business merely because our plant there is undergoing reconstruction. Mr. Grimes has handled through Duluth this year between six and seven million bushels of oats and that has been the most profitable business we could get. . . . The main point is this: I do not want arbitrary charges of this kind put through, as long as they do not represent a profit to the organization as a whole, and particularly when the charge merely represents a rehandling made necessary by the building of the new storage. . . . I want to encourage business and not discourage it by letting it down with charges which really represent nothing.¹⁶

Lindahl's lowered status, imposed from above, did not diminish John Sr.'s interest in Lindahl's personal welfare. Each thoughtfully concerned himself with the other's personal problems. In 1927, Lindahl had considerable difficulty with his legs from attacks of phlebitis (Lindahl then was 67 years old, nine years older than John Sr.). Lindahl had been with the Company for 41 years and had acquired a reputation for never missing a day at the office, always on the job. With the attacks of phlebitis, his doctor ordered him to stay off his feet. Yet he still wanted to go into the office.

Finally, Mrs. Lindahl wrote John Sr.: "Your advice is the *only* advice that counts with Mr. L. . . . Of course he *will* go to the office every day . . . he will not admit any of these ailments—call it what you will, Christian Science or stubbornness . . . if there is wheat in the country, he must be in it." The next day, MacMillan wrote Lindahl a wonderfully diplomatic letter, not alluding to his wife's remonstrances but instead urging Lindahl to take a vacation. He framed it personally: "I know how impossible it is for me to take care of myself at home, and I do not believe you are any different in this respect. There is only one safe thing for you to do, and that is to get away from temptation." Lindahl agreed to take the vacation—but shorter than John Sr. and Mrs. Lindahl had hoped.¹⁷

More Storage in the East

Finally, in late 1927, arrangements were concluded for extensive leased space—1.5 million bushels—at the Superior elevator in Buffalo. This decision was dictated not only by the desire to shift operations eastward—to expand both local Buffalo trade and the evolving fobbing trade—but also to heighten storage itself, to take advantage of carrying charges. With a significant short-term lease of 2.4 million bushels capacity at Port Mc-

Nicoll, Canada, at the foot of Georgian Bay, and with other small additions elsewhere, the Company's total terminal capacity jumped dramatically:

<i>Bushel Capacities</i>		
Plants	1926	1927
Owned	10,750,000	11,450,000
Leased	4,600,000	10,700,000

Total grain purchases for the crop year 1927–1928 nearly doubled, from 33.8 million to 63.4 million bushels. Winter and spring wheat, rye, corn and barley had the largest percentage gains; durum, flax and oats were stagnant.¹⁸

Harold Tweeden, the Buffalo manager, had assumed that it was his prerogative to plan the use of Buffalo's additional space. But John Sr. disabused him of that idea:

I think you have somewhat the wrong theory of why that elevator was taken on. It was taken on for the benefit of the business as a whole . . . from the point of view of what will make the most money for the business as a whole. Friction and a loss result when one department begins to haggle with another and I want to discourage that sort of thing. Whenever you can make more money with a space in Buffalo than any other department, I expect them to give way to you cheerfully; on the other hand, when we need those facilities to keep our elevators and lake ports open, it will make the business more money to keep moving the grain to its ultimate destination, than by letting the plants become plugged. . . . All I am trying to preach is good teamwork . . . not to look at any of these problems from the narrow and selfish viewpoint.

John Sr.'s words were an articulate description of John Jr.'s endless belt.

This was different from the past. Managers at individual locations previously had the motivation of success shown by their own individual accounts. Now they were being asked to merge their own results into the overall Company profit. Whether they would continue to feel the individual responsibility that so characterized the past was a moot question.

Tweeden then complained about the slowness of Duluth in responding to suggested Cargill offers in Buffalo, writing John Sr.: "Mr. Heywood of James Richardson & Son of Montreal called me up the other day and I will try to give you his words as nearly as possible. He stated, 'I like you fellows at Buffalo and would like to trade with you very much, but it is almost impossible to do so. When I call you on the phone and ask for bids, part of the time you don't know what you have to sell and have no idea at what price you will sell it. . . . When I do give you a bid, I do not hear from you for several hours and sometimes not until the next day.' " Tweeden suggested a process by which Duluth would give Buffalo some limits but then a free hand to trade. He continued: "We note from your letter

that they find it irritating to have offers come in that do not represent the market. It is still more irritating to us to call up our trade and not have any limits or prices."¹⁹

Tweedden's evident abilities in managing the Buffalo office already had been rewarded in 1926 by his appointment as a vice president in the Cargill Grain Company, one of the subsidiaries of the Elevator Company. This was somewhat surprising in that the previous year Tweedden had made a major mistake; he had been unaware that an elevator in Lockport, New York, was going into bankruptcy, and his inattention had resulted in Cargill having considerable grain tied up in the bankruptcy process. The incident happened while John Sr. was in Europe, and Daniel MacMillan, John Sr.'s brother, responded to Tweedden about the "humiliation you feel in relation to this event." Daniel continued, in words reminiscent of his brother:

The truth is, at one time or another, in one form or another, this had to happen, to round out your experience and season your judgment. . . . I am the last man to condone carelessness, or encourage lack of ceaseless vigilance, but nevertheless I realize that misadventures do happen . . . in the careers of the best of men. . . . Ponder well the circumstances, and then apply the measure of your increased experience and knowledge to future emergencies—forget the balance. That you should keenly feel your trouble is natural, but in reality it is no more than to say that you take honest pride in your efforts to accomplish results, and this is the best that can be said of any man . . . don't brood on what has happened.

Daniel could not resist a caution: "One word more: Don't do anything away from the usual during J. H.'s absence without consulting us."²⁰

National Farm Issues—Glut Again?

For agriculture, the first half of the decade of the 1920s had been unsettled and filled with acrimony. The "farm problem" continued on through the decade but with a considerably lower profile. Surplus-control legislative proposals along the lines of the original McNary-Haugen bill continued to come forward; the 1924 version came within 36 votes of passage in the House of Representatives. This close outcome brought into being a number of new national agricultural policy organizations. In November 1924, President Coolidge convened a National Agricultural Conference, but no direct legislation came out of this. An alternative plan for surplus disposal, a scheme to use customs debentures to subsidize agricultural exports, was suggested in 1926. When the plan got to Congress, it failed, as did similar versions in 1928 and 1929. Another version of the McNary-Haugen bill also failed, vetoed by President Coolidge.

The grain trade itself remained reasonably stable during the mid-1920s in terms of production and price, both nationally and worldwide. Of course, substantial internal disparities can occur within a stable trend line,

Some folks don't know how to appreciate good news.



Ding Darling, September 16, 1927 (by permission of the University of Iowa Libraries [Iowa City])

and there were these anomalies in regional and local patterns all over the world. For example, there was a serious rust problem in parts of the United States wheat crop in 1926 and 1927, yet the totals were not seriously affected.

In 1928, however, there was an event in world grain trade so momentous that it would affect world agriculture well into the next decade. In that year the world wheat crop turned out to be stunning, by far the largest in history. The United States Department of Agriculture estimated it to be 4,760 million bushels, an increase of more than 8 percent over the next-highest postwar crop, which was, importantly, the previous year, 1927. The 1928 total was even 10 percent over the largest prewar crop, that of 1915.

The reasons for this huge crop were largely fortuitous. Acreage had increased but only modestly. Yields also rose, helped greatly by widespread good weather. Not only was United States production up, so was that of

Somebody's likely to have a pig to pay for!



Ding Darling, February 17, 1928 (by permission of the University of Iowa Libraries [Iowa City]).

Canada, Australia and Argentina, as well as of Hungary, Bulgaria, Yugoslavia, Romania and the Soviet Union in Eastern Europe, together with that of France and Germany, the two largest producers in Western Europe. The yield in India, a major producer, was down, but most of the rest of the world's producers added to the surplus.

Demand for wheat was good in 1928 but could not prevent a massive carryover. Analysts at Stanford University's Food Research Institute concluded, gloomily: "While consumption was undeniably heavy, it was not heavy enough to prevent a striking upbuilding of stocks . . . particularly in the United States and Canada . . . one of the outstanding features of the crop year. It assumes special importance because, thus far in the crop year 1929-30, a short world wheat crop in 1929 has not resulted in as high a level of wheat prices as many have anticipated; and the exceptionally large

carryover out of 1928-29 has undoubtedly contributed to this situation."²¹

In sum, though production totals were down in 1929, the surplus remained huge. The Great Depression was just around the corner. That the world was absorbing a glut of wheat boded ill for world agriculture in the 1930s.

Overall, Cargill Elevator Company performance was adequate all through the second half of the 1920s. In the four crop years 1925-1926 through 1928-1929, the Company averaged just over half a million dollars in net earnings, and with the conservative dividend policy, net worth grew modestly from just over \$4 million in the first of these crop years to \$4.8 million in the last. In that last crop year of 1928-1929, just before the crash, the Company had continued to purchase at the 1927-1928 level (61.8 million bushels of all grains), but there were portents embedded in this overall figure. Perhaps most striking was the tremendous jump in durum pur-

But the patient is desperate enough to try anything once.



Ding Darling, May 24, 1928 (by permission of the University of Iowa Libraries [Iowa City]).

chases of 15.6 million bushels, up from 3.4 million the previous year. Sales of durum were also strong, emblematic, of course, of the stronger export demand, especially from Italy and other pasta-consuming countries.

Another figure of importance, particularly given the imminence of the depression, was the level of credit required to finance these larger purchases (and longer-term storage). For the crop year 1928-1929, Cargill's yearly average of notes payable was over \$12 million, by far the largest to date; the maximum that calendar year, and also the highest ever, was \$16.7 million (on October 31).²² A banking crisis was coming with this depression; Cargill's relation to its outside financiers would be crucial.

Changes in Personnel

There were important personnel developments in the late 1920s; the first involved John B. Hawley. In the story of the internal revolt in the preceding chapter, Jack Hawley's name was prominent. He was John Jr.'s close friend; the two actually had formed a company, Hawley Inventions, of which John Jr. was president and director. Further, there appeared to be a MacMillan involvement in another Jack Hawley company, an operating company called Northern Pump.

The doubts about Hawley's role in the 1925 revolt and his initiation of Fred and Emma Hanchette's sale of their Cargill Securities stock had long since dissipated. Since then, Hawley had been doing consulting for Cargill Elevator on washer pumps at Elevator K in Superior; Lindahl had written to John Sr. in March 1928: "The more I see of Mr. Hawley, the more I think he is a mighty fine man, and knows his business thoroughly." Lindahl particularly praised his diplomacy.

But later that year, diplomacy failed. In late November 1928, John Sr. noted in his diary: "Hawley makes demand for settlement." A few days before, Hawley had been invited to the Spooner, Wisconsin, fishing camp of the MacMillans. Both John Sr. and John Jr. were there too. John Sr. had helped to finance the Hawley companies and now did not agree with the reconciliation suggested by Hawley, nor with some of Hawley's tactics in the business. In John Sr.'s early December diary entry, the result of the conversation was put bluntly: "Made settlement with Jack Hawley. Haven't words strong enough to express my contempt of him."

Given John Sr.'s support of Hawley until then, these were severe words. John Sr. followed this with a memorandum to all members of the Cargill Elevator management, stating that Hawley had been "dismissed" as consulting engineer and that Cargill employees were to "have no further communications of any kind with him, nor allow any of your employees to do so." Hawley was not even permitted to enter the premises. John Jr. re-

signed his positions in Hawley Inventions that same day. From that moment, the two MacMillans remained distant from Hawley.²³

A further sad event relating to the principals in the 1925 events happened in late August 1929, when Fred Hanchette died of angina. (George Cargill, the son of Will, also had died, in 1927, at 32 years of age). Within the organization, A. W. Prime retired from the Company in 1929; his hearing acuity had deteriorated, enough to make it difficult for him to hear the trading signals in the pit. John Sr. diplomatically suggested that Prime step down, and he readily accepted, the Board voting him half pay (there was no formal retirement plan for employees at that time.)²⁴

Meanwhile, in a further centralizing step, John Jr. brought his and Austen's colleague from the British Columbia timber operation, Frank Neilson, to La Crosse in 1926 (after a disastrous fire had destroyed the logging camp and nearby timber), to work with the bus operation that had been mounted to supplement the La Crosse & Southeastern Railway. Then, in 1929, John Jr. moved Neilson to Minneapolis to assume a newly created post: superintendent of all terminals. This was at the time when terminal capacity was expanding. It should be noted, too, that Neilson's post was a line assignment, reporting directly to John Sr. In the process, the traditional role of the branch manager with the terminal(s) in his area (e.g., Lindahl with Ed McManus at the Superior, Wisconsin, terminals) was lessened.²⁵

John Jr. expanded his own duties in 1928 with the assumption of responsibility for all grains. Julius Hendel was more involved with him than ever as his alter ego. With the major upward movement of grain buying in 1928 and 1929, John Jr. was complimented in the Board minutes of August 13, 1929, for "the brilliant showing of the wheat account" (such encomiums had never been laid upon the record like this) and promoted to vice president.

Export Fobbing, International Thrust

The most striking feature of the 1920s for Cargill was its heightened interest in export fobbing. In late 1927, John Jr. made another extensive trip, which included both New York and Montreal, and came back more enthusiastic than ever about the potentials of fobbing. John Sr. told of this in a long letter to Lindahl:

... he [John Jr.] found that it was possible to sell winter wheat fob. Montreal when we could not make sales cif., and he sold a small amount that way. Also he learned that the grain merchants of Chicago and Milwaukee are selling fob., as in that way they can get a better price, which more than compensates for the bother. The main point is that there are many exporters who cannot tie up their capital in cif. grain, but in buying it fob, they can turn their money over at once, and it rather broadens

your market, and gives you a chance to do business, whereas the other way there would be nothing doing at all . . . it may broaden your opportunities, and it will tend to lessen your competition, and give you the field more and more to yourself at the Head of the Lakes.

The reasons for this important trend lay in part in the residual effects on the grain trade from World War I; Charles Kuhlmann analyzed this in 1929 in his well-known book *The Development of the Flour Milling Industry in the United States*. Before the war, shipments to Europe, for example, were CIF, with credit for two or three months. The shipper obtained a through bill of lading from the transporter, took his draft to the bank and sold it. He then had his money. The war disrupted the equation from both sides. The European buyer was not willing to take his chances buying for a long time ahead. And his credit sometimes was not as good, so the shipper was not certain the draft would be paid. While some old, established firms in England and Scandinavia were still sold CIF, now shipments went forward only on bank credits with a guarantee. This, in time, led to concentration of export business in New York (and in Montreal to a lesser degree); the through bill of lading was dropped, and fobbing became a preferred mechanism.

John Sr., in his letter to Lindahl, also commented on another related move by several of Cargill's arch-competitors: "There is one other factor in this situation. Some of these larger concerns are opening offices in the west, as a result of having to tie up their money. You have the Continental now in Duluth, and you are quite apt to have Dreyfuss. By refusing to sell these people grain the way they prefer to buy it, you are quite apt to intensify your local competition . . . the main point is to be able to reach the exporters who cannot finance these cif. trades, and in this way be able to sell where otherwise you would find no market at all."

The same approximate letter had gone forth to Prime; now both he and Lindahl responded—negatively. A particular trade on rye had been suggested to Lindahl; he rejected the notion: "I do not think we need it at all on this rye. We can make just as much money, keep your transactions and get it all cleaned up when the boat leaves port, and we have no trouble making sales of all the rye we can get a hold of." To paraphrase Lindahl, take your profit at your own location—do not move down the chain and take further responsibilities. Prime had much the same philosophy: "There might be a little something in this for us. However, we have always figured and figure today that the way to do business here at the head of the lakes is cif Buffalo, Lake Ports or Bay Ports. That is about as far as we want to see our barley."

Only after many months of prompting did either Lindahl or Prime begin to look favorably on the fobbing concept. John Jr. wrote his father in early 1929: "I have been very much gratified at the interest Lindahl has

been taking in our fobbing business. The last few days he has done nothing but bombard me as to what our costs are and how we figure this and figure that. I am very much in hopes that we can get him started on his rye."²⁶

By this time, the reciprocal response of the European competitors—integration backward into the Middle West—had heightened John Jr.'s concerns, which he elaborated in a long letter to his father, in March 1929: "These tremendous surplus stocks are all very well for the carrying charge," he began, "but they certainly kill all merchandising." The single positive exception was export durum (the 15.5 million bushels of purchases, up from 3.4 million the previous year, was noted earlier). But here a startling new inroad had been made. John Jr. continued:

I secured some very interesting figures from Bolan [B. J. Bolan, manager of the Cargill Grain Co. Ltd. office in Montreal, which opened in September 1928]. I asked him to make an estimate of the durum shipments from Canadian ports for this year by firms, and his results are as follows:

Continental	35%
Dreyfuss	28%
Bunge	22%
All Others	15%
TOTAL	100% (About 32 million bushels to date)

This certainly provides food for thought and it shows what has been happening to Barnes, Malden, Bodman, Norris and miscellaneous exporters without European organizations. The discouraging feature of it is that the three firms in question are showing less and less of a tendency to buy from us. The Continental will buy from us only when we are several cents under the price at which they can make it, while Bunge has his own man in Duluth and has not bought a pound of us this winter and Dreyfuss bids us in full cargo lots, so that trading with him is worse than with Hecker. The only really satisfactory trades we make are with all others and you can see that they are fast dwindling in importance.

It looks to me as if we have got to find some way of competing with Continental, Bunge and Dreyfuss on more liberal terms. One feature that worries me is that the Continental have never hesitated to go into the elevator business. They operate an elevator in St. Louis . . . and I am very much worried lest if we let them continue in Duluth that they will enter the elevator business there and if they do Dreyfuss and Bunge will have to follow.²⁷

This concern first had been identified earlier in the decade, at the time of the Taylor & Bournique acquisition; now, these figures confirmed a *major* inroad by the competitors. So it was not just the Cargill fobbing itself that was so striking—it was the downstream movement in general. And it was not only the forward integration that John Jr. was engaging in with his endless-belt applications but an equally potent backward integration in the *other* direction, to compete with the Europeans as they moved into inland United States and Canada.

Cargill had begun the decade looking eastward, but its definition of

eastward at that time had been primarily looking to Buffalo, with some tangential interest in the other cities that had been brought into this sphere by the Taylor & Bournique acquisition. John Sr. had continued his mistrust of Chicago and unwillingness to have the Company go there, although John Jr. had had desultory discussions with Armour about a terminal as early as 1927. In a sense, Cargill had bypassed Chicago and gone directly to the East, in the process making itself much more of a national concern.

The next logical move was to extend the export fobbing one further step by making contacts abroad (and perhaps follow with a physical presence there). John Jr. had made an extensive trip to Latin America in 1926. In June 1929, he left for Europe with a lengthy agenda of contacts (and "raced" through the trip, according to his mother, "without stopping to see any of the beauties of it"). Julius Hendel would make his own trip later in the year, hoping to include Russia.²⁸

A Transition Begins

These tentative steps Cargill had taken to move abroad turned out to be irreversible. An important conceptual move had been made in the 1920s. Cargill had metamorphosed from an essentially Midwest company, operating regionally and with its people holding regional perspectives, to, first, a national organization (through the Taylor & Bournique acquisition and its attendant features) and then to an international company. Collaterally, a sharp change had taken place in the leadership of the company, which was going through its own generational transition. A new, younger group had taken over, with the rise to major responsibility of Ed Grimes, the important management role at the country elevators of Austen Cargill, the strong technical base brought by Frank Nielson, the unique statistical and financial contributions of Cargill MacMillan, the trading skills of Julius Hendel, the shipping network of F. J. Hays, and, most important, the general management role increasingly being assumed by John MacMillan, Jr. The goals and values of the Company had been self-consciously developed and articulated by its chief executive officer, John MacMillan, Sr. He had made the Company a reality of what he, John MacMillan, defined it to be. Now, John MacMillan, Jr., already was redefining this in his own personal image.

IDEAS AND INNOVATIONS— THE 1930s



The wheat pit, Minneapolis grain exchange, c. 1942.